THE Freeman

IDEAS ON LIBERTY

AUGUST 1964

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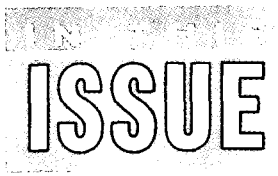

Dean Russell argues most convincingly that there is a peaceful way to overcome poverty, whereas "war" is reminiscent of the old Marxian "class struggle." ..... p. 3

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AUGUST 1964 Vol. 14, No. 8

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How to END POVERTY

DEAN RUSSELL

OUR POLITICAL LEADERS have recently declared war against poverty in the United States. And they are now in the process of mobilizing the nation's manpower and resources for the coming battle.

The general philosophy behind these recurring governmental campaigns to stop poverty is familiar indeed to students of economic history. As merely one of countless possible examples on the same general theme, let us first look briefly at the so-called Industrial Revolution in the England of 150 years or so ago.

Perhaps the two most famous of the reformers of that era were the classical economist, Karl Marx, and the successful businessman who became his collaborator, Friedrich Engels. Those two men were the intellectual leaders of the war against poverty in their time. And as is still the case with most of our own intellectual and political leaders today, the only solution that Marx and Engels ever offered to end poverty was to have the government increase its compulsions and prohibitions over the people in their economic activities.

It is not necessary here to question the accuracy of those reports by Karl Marx in which he described the degrading living conditions of the people who worked in those early factory towns of industrial Britain. While his research was confined to extensive reading in the British Museum, I will here assume that his statements on the harsh working con-

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ditions of that time were essentially true in a reportorial sense. But most unfortunately for poor people everywhere, Marx completely missed both the reality and the portent behind what he was reporting. And thus he offered a totally erroneous solution to the problems of poverty and how to raise the level of living of the general population.

The Socialist Theory

The famous theory endorsed by Karl Marx to improve the well-being of mankind was based firmly on governmental ownership and operation of the means of producing and distributing all goods and services; later on, he appears to have agreed that heavy governmental controls, without total state ownership, might also effectively accomplish the task. That ancient but ever-new theory has been increasing in popularity all over the world, ever since Marx refurbished it again in his program to end poverty by positive governmental action. Under a different name (and with a few changes in nonessentials), that same socialist theory of economics is the inspiration behind the current governmental plans to end poverty in the United States.

Perhaps the best source for a summary of the philosophy and program of Karl Marx is his major book, *Das Kapital.* As I here list the main points of his theory, I am confident that you will find most of them as familiar as today's newspaper or political speech or sermon or textbook on economics.

Departure from Classical School

Since Karl Marx was trained in the "classical school" of economics of Adam Smith and David Ricardo, he was well aware that increasing capital accumulation is necessary for increasing industrial growth. And he readily agreed with the classical economists that as capital (machinery) increases, the result will be more and more production of more and more products. So far, so good.

But at this point, Marx deviated from the prevailing economic thought of his time and claimed that the unplanned and uncontrolled production of a free market will result in general surpluses that can't be sold; that is, the workers won't have enough purchasing power to buy the products they produce. This development will cause factories to shut down until the surpluses can be disposed of in some manner. Thus, booms will be followed at regular intervals by busts. Throughout the economic ups and downs of these business cycles, however, the rich will get richer and the poor

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will get poorer, according to Marx. This will continue as long as there is uncontrolled private ownership and production in a market economy that (according to Marx) is necessarily based on increasing monopolies, jungle competition, and anarchic production. The unorganized, oppressed, and politically helpless workers will be exploited mercilessly. Many (perhaps most) of them will lose their jobs to the ever-increasing and more efficient machines. And while the workers who are fortunate enough to have jobs will increase their production, they will be paid lower wages than before.

Marx predicted categorically that widespread poverty, mass starvation, and death among the working classes are the inevitable results of capital formation and industrialization in a market (nonsocialist) economy of private ownership. His financial backer and literary collaborator, Friedrich Engels, said much the same thing in his book, *The Condition of the Working Classes in England in 1844*. For example, he claimed that the peasants and their children in agrarian England were far healthier, happier, and more prosperous than the workers of industrial England after 1700 and the advent of machinery for mass production.

Trimming the Facts To Fit the Theory

One of the most astounding facts of economic history is this: At the time that Marx and Engels formulated and published their theory, the statistical proof of its falseness was publicly available. Further, both Marx and Engels were aware of this evidence; one can only assume that they simply ignored it because it did not fit into their theory.

Here are the statistics referred to – the population figures for England and Wales from 1600 through 1831, figures that Karl Marx could not possibly have missed during his years of extensive research in this general area.

Year	*Population*
1600	around 5 million*
1700	more than 5 million*
1750	more than 6 million*
1801	9 million (census)
1820	12 million (census)
1831	16 million (census)

*Rough estimate

Among the voluminous statistics of this same type that were available to Marx and Engels, one also finds this: In London in 1750, about 70 per cent of all children died before age five; by 1830, the figure had fallen below 30 per cent.

If the theories of economics and history advanced by Karl Marx

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were valid, these population figures would have to be the reverse of what they are. If there were any merit at all to the theory of socialism, children would have died earlier (and the population would have diminished) as the number of machines increased in Great Britain from 1700 to 1900 in an increasingly free market.

They Lived Longer

But the truth of the matter is, of course, the reverse. As industrialization in the competitive market economy grew, the life expectancy of children (and also of adults) grew right along with it. The population had been barely moving forward for two or three hundred years in an agrarian economy with few machines. But with increasing machinery – and especially the invention of the steam engine and the rapid industrialization that followed it – the population soon doubled, and then trebled.

One should also remember that it was during this period that hundreds-of-thousands of British subjects were migrating to all parts of the world. Thus, the statistics on population growth given above are really understated.

The reason that the evidence is contrary to socialist theory is simply because (basically) socialist theories of economics and history were (and still are) totally false. But before we examine the validity of that sweeping condemnation, let us mention two possibilities other than machines in a market economy that might explain this increase in life expectancy.

Was it due to new medical knowledge and practices? No, for the most part, those improvements came *after* the machines, not before.

Was it due to more governmental controls and welfare schemes? No, governmental interferences in the economy were *decreasing* during this period. Percentagewise, there was less government welfare instead of more. The economy was becoming increasingly free.

A False Theory

At this point, however, I would like to agree with Marx on one of his ideas – that is, before one can understand history, he must first have some understanding of economic theory. Economics is certainly not the sole determinant of history, as Marx claimed it to be. But at least it is important enough to explain the nonsense that is so often encountered in the deductions of historians who have no real understanding of economic theory. The misinterpretation of history by the socialist philosophers, however, was, of course, not due to the *absence* of economic

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theory but rather to the endorsement of *false* theory.

A Better Theory Proposed

Since it is obvious that the socialist theories of history and economics do not fit the facts of the Industrial Revolution, and are thus false, then what theory does explain this period of fantastic economic growth? Well, here is my own theory, in four simple parts. Let us see if it helps in any way to explain the facts:

1. Persons who have enough to eat will live longer than persons who don't have enough to eat. That statement is not intended to be humorous; actually, it is an oft-ignored fact that is fundamental to any economic theory that explains why human beings act as they do. And I am reasonably confident that Karl Marx would have agreed with it.

2. Other things being equal, a man with a wheelbarrow and shovel can move more dirt from "hither to yon" than can a man using only his hands. That is, a man with a machine can produce more than a man without a machine; or, capital formation increases production. Again, Marx would surely have agreed with me. But on the heart of my theory – the next two points – he would have been in total disagreement.

3. The employee who is working in a factory for wages in a free economy will be paid more if he produces more. I could here use marginal analysis to support the theory. But for my present purpose of simplified explanation, I need only point out this fact: Competition among employers in a *free* economy will guarantee that result; for since each employer is in business to earn profits, each will try to secure the services of the workers who produce the most in the shortest period of time. The only way this can be done in a *free* market is to offer higher real wages. If that is not so, then we are faced with the absurd theory that the policy of employers in an economy of choice is to voluntarily pay most to the employees who produce the least.

4. Persons who are producing, selling, and buying what *they* choose to produce, sell, and buy will have more of what *they* want than will persons who are compelled to produce, sell, and buy what they don't want. If that sounds like a mere play on words, it isn't. For what I have said is that the market economy of free choice (with the government restricted to preserving the peace and suppressing fraud) provides more people with the things *they* want than does any other economic arrangement. Or expressed in other words: If the objective of

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an economic system is to provide the maximum amount of goods and services that peaceful persons want, obviously there must be freedom of choice and exchange. This essential requirement for maximum material well-being exists in a free market economy, and *only* in a free market economy. The socialist theory of a controlled economy (that is, a controlled people) is necessarily based on the idea that when peaceful persons are compelled to produce, sell, and buy what they would not voluntarily produce, sell, and buy, they really have more of what they want than is the case when they are free to choose.

A Priori Reasoning

Well, there you have the non-socialist theory of economics as best I can state it in brief form. It is, essentially, the exact opposite of the socialist theory. And thus you can now better understand my sweeping statement that the socialist theory of government ownership or control of production and distribution is totally false and must always finally produce the reverse of what its advocates say they wish to accomplish. That is as true in the United States as elsewhere, currently or at any other time.

Now I wish to say two things about this theory. First, of course, I didn't invent it; I suspect, however, that I have simplified it considerably. Second, the inventors did not first look at the facts and then work out a theory to fit them. That isn't how theory is developed. For example, the first "sputnik" that circled the earth did not generate a theory; instead, the prior theory generated the first man-made orbit around the earth.

You and I know *a priori* that a man with a wheelbarrow and shovel can move more earth in a given period of time than can a man without a wheelbarrow and shovel. We don't need any facts to prove it. The theory is self-evident. The man who invented the wheelbarrow did it because he knew in advance that he could thereby "produce more" with that tool than he could without it. And so it is with the three other *a priori* theories I have cited above. Since they are unquestionably true, I know that certain results must necessarily follow their application.

I know that as more machines appeared *in an increasingly free market* in Great Britain after 1700, there would be more food and other goods and services. The people would live longer. And under the conditions of that particular time, the population could be

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expected to increase rapidly. That economic theory doesn't really need "statistical proof" since it is self-evident and is based on the fact that every person is well aware that he will live longer with food than without food. The opposing socialist theory is not false merely because the statistics disprove it; the theory is false on a self-evident basis. Since socialist economic theory is false *a priori*, naturally the results in practice must finally be disastrous. That is why millions of Russians starved to death under the communist economic system after 1918; persons were literally prevented from producing food. It was not due so much to lack of political freedom as it was to the utter nonsense of socialist economic theory; the results could not be otherwise.

The Communists Cheat!

And even today, the only reason that the Russian people manage to stay alive at all is because they cheat against their socialist theory. This cheating is on a mammoth scale and, fortunately for the Russian people, it appears to be increasing. The officials permit a tremendous amount of "free enterprise" food growing; they use unrestricted market prices to distribute vast quantities of food and considerable amounts of consumer goods; the managers of factories can now fire inefficient workers and hire ones who produce more; the government planners have rejected the Marxian idea of government unemployment compensation that pays a person not to work; further, make-work schemes that are now protected by law in the United States would result in long prison sentences for persons who openly practiced them in the Soviet Union; the free market prices of the world are used by the socialist planners in Russia to guide their production procedures and goals; the "profit motive" rather than the "firing squad" is now increasingly used as the incentive to get better management and more production; and so on through thousands of free market violations of socialism.

The truth is simple and harsh: If the Russians didn't cheat against the economic theory on which their system is based, they would all literally starve to death. And even at best, they must still depend on other nations to send them food. It is to be hoped that future leaders in Russia will finally accept fully the fact that persons who have enough to eat will live longer than persons who don't have enough to eat, and that they will then adopt the policy of leaving persons free to produce the food they want instead of com-

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pelling them to produce "moon shots" that they would never produce voluntarily.

The adoption and practice of false economic theory explains why millions of men, women, and children are literally starving and dying in China today. The total economic collapse in Cuba today is not due primarily to the fact that Cuba has a dictator; it is because that dictator operates on socialist economic theory. The present socialist economic system in Cuba can't possibly work in practice because it is false in theory. It is totally contrary to how all human beings choose to act when they are free to do so.

Some Things Explained

With my own theory cited above, I know in advance that (other things being somewhat equal) the people in a comparatively free economy will have a higher level of living than will the people in a less free economy.

I know that West Germany has to be more prosperous than East Germany. My *a priori* theory says that it cannot be otherwise. And since the economy in Poland is a little bit more free than the economy in Russia, my theory says that the Poles should be expected to have a slightly higher level of living than the Russians. They do, even though the still-heavy controls over the economy in Poland still mean a distressingly low level of living for the unfortunate Polish people.

My economic theory says that the Japanese in their comparatively free market should have a higher level of living than had the Japanese under the former controlled economy. They do. Further, my theory implies that the economic "growth rate" in Japan should be high. It is; in fact, the rate there appears to be the highest in the world.

With my theory, I can now make some sense out of history, a thing that Karl Marx was never able to do. I now better understand why ancient Athens enjoyed its phenomenal growth rate for 150 years or so. I can now better understand why it declined and collapsed. In each case, the key I search for is the *comparative* freedom enjoyed by the citizens in the economic areas – that is, the extent of private ownership and of the freedom of persons to exchange goods and services voluntarily.

I now know why a much higher level of living developed in Venezuela than in Brazil in our own era. And I also now understand why the level of living in Venezuela has (percentagewise) not increased as fast during the past few years as it did formerly. I

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can now also understand the situations in Argentina and India. Finally, I can now understand why the real level of living per capita in my own country is not increasing (percentagewise and on the average) as fast as it used to before 1930 and the general acceptance of the philosophy of the welfare state and the controlled economy. Further, my theory says that the battle plans of the current war against poverty in the United States (more socialism) must eventually bring the reverse of the announced aims.

Well, you pick your own time and place, and examine it from the viewpoints of the two theories here advanced – Marx's socialist theory of economics and my own free market theory. If other things are reasonably equal, you will always find that (over a significant period of time) the people in the "more free" economy will be more prosperous than the people in the "less free" economy. This is self-evident because free people will always produce more of what *they* want than will people in a controlled economy who are prevented from choosing what they will produce. It cannot be otherwise.

The size of the country and the extent of its natural resources are not as vital for a high level of living in today's world as is the economic philosophy endorsed by the nation's leaders; for example, small and resource-poor Switzerland has a comparatively high level of living. When one considers the amount of foreign capital that goes there – and *why* it goes there – no one should be surprised at this result. And no one who understands economic theory is in the least surprised at the fantastic "growth rate" of tiny Hong Kong with essentially *no* natural resources.

The More They Produced, the More They Could Have

Now I would like to end where I started – with the Industrial Revolution. Please note that I have not denied the horrors of that period. I am aware that there were cases of six-year-old children who worked ten hours a day – and that they lived in filth and often suffered injury from those primitive machines. All I have said is that life expectancy for children working in those factories was higher than was the life expectancy of children in the preindustrial society. The children of the Industrial Revolution era had more to eat, even though they still didn't have enough. They had more to eat because they could produce more with machines than without machines, and could trade their industrial products for more

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and better food. They still didn't have all they wanted to eat because they still couldn't produce enough with the still-primitive machines they had. But as capital accumulated and more and better machines came into existence, they produced more. And thus they had more to eat. And thus they lived longer.

I maintain that living to age nine is better than dying at age five. As more capital was accumulated in an increasingly free market economy, the children lived even longer. Finally there was enough capital available to permit a man to produce enough to put his children into schools, and for his wife to change her factory job for the job of homekeeping. It was machines under private ownership, not child labor laws, that finally took the children permanently out of the factories and put them into schools. If you doubt this, think of what would necessarily happen to children today if there were no machines.

The private accumulation of capital in a free market economy has always meant an increasingly higher level of living. This is what it always will mean. Thus the most practical thing that you and I can do to end poverty in the United States or elsewhere is to insist that the market shall be free. Nothing else is required; anything else will fail. ◈

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. . . *If We Will Let It Work*

I HAVE DEEP FAITH in the stimulating power of competition and in the capacity of the free market to allocate resources and to bring us optimum growth and progress, if we will only let it work. And we will let it work if we can bring ourselves to accept a few very simple ideas about business: that business is a tool, and that the sharper its cutting edges are and the stronger its motivating power, the better job it will be able to do for all of us.

HENRY FORD II, *What America Expects of Industry*

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IN DEFENSE OF INSECURITY

LOIS H. SARGENT

WE ARE constantly reading and hearing about security. Banks, investment firms, insurance companies build advertisements around the virtues of saving – for security. The liberal politicians and union heads plan their policies around an appeal to man's urge for security. Psychologists and counselors make use of the word in discussions of emotional stability. Security has become the frantic obsession of our age.

No one has a good word to say about insecurity.

Yet were it not for *insecurity* the human race probably would never have advanced beyond the mentality of the caveman.

It was his insecurity that prompted primitive man to find and invent instruments of self-protection and develop methods and tools for increasing his food supply. It was insecurity that led him to restrain an instinctive suspicion and distrust of his fellow men and to unite with them for greater safety and well-being.

Insecurity in some form is behind most of the progress mankind has made. Curiosity and ambition are strong driving forces in human nature, but the tension of insecurity is frequently needed to prod men into action. If "necessity is the mother of invention," insecurity is surely its father. Probably more work efforts and more ingenuity of ideas have been inspired by insecurity than by a comfortable environment and a life free of trouble.

It is the feeling of insecurity, not the ease of security that challenges a man to strive for prosperity and to prepare for the uncertainty of the future. Even the man of wealth who (apparently) would have no financial worry recognizes the need to protect his interests and prepare for possible reverses of fortune. Insecurity is

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not a comfortable or contentment-creating sensation, but it is one of the inevitable tensions of life. And it is this very discomfort that prompts whatever efforts we make to improve conditions.

What do we mean when we speak of security?

The dictionary gives the following definitions: feelings of or assurance of safety or certainty; freedom from fear, doubt, care, danger, or anxiety – a quality of being safe.

Is it possible to enjoy all of this safety?

Freedom from physical danger can be fairly well assured by the protective forces of the community in which we live and by our own common-sense safety precautions. This sort of security is attainable, or at least enough of it to eliminate haunting fears of danger. We do not dispute the desire for this aspect of security which, after all, is but a normal expression of man's self-protective instinct.

As promulgated today, the aspect of security most frequently emphasized relates to economic conditions and the psychological effects of financial well-being or want. The apparent aim of those who beat the drum for security is for a security that would remove all anxiety about the present and future. Such emphasis upon security is grist to the mill of the socialistic schemers and welfare statists. While the motives of some of these idealists may be sincere, they are encouraging the pursuit of a false goal when they picture a life of continuous ease. The power-hungry men who wish to build an all-powerful government deliberately arouse fear of insecurity and sell their programs under the guise of providing immutable security.

The Absence of Challenge

But is security immutable?

If, by security, we understand a permanent or continuous state of well-being, a life devoid of problems or obstacles, we are ascribing to security a permanence impossible to realize. Neither the capitalistic system nor the welfare state has been able to achieve this, nor are they likely to in the future because neither can eliminate change and uncertainty from life.

That tomorrow will come is a certainty. What it may bring by way of circumstances or events is an uncertainty. We may go along day after day in the same routine of existence, but any day an event may occur – with or without our personal instigation – which breaks into the pattern or which brings about a change in our affairs. It happens to someone, somewhere, every day.

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To achieve and maintain an ideal state of economic security we would have to eliminate all uncertainty, all chance and change from life. We would have to deny what history and experience teaches – that uncertainty is always with us. The changes and uncertainties of weather which affect the produce of the earth, and the market fluctuations of business are the obvious examples. All the political programs conceived to offset these fluctuations have in practice merely created new problems and different kinds of anxiety and uncertainty.

When put to the test of logic, the idea of employment security is found to be equally irrational. Industry and business are too much affected by new inventions, new methods and by market fluctuations to ensure work opportunity to the entire employable population. The government may create jobs through bureaus or other make-work projects, but they cannot absorb all of the working classes.

All of this would appear to be so obvious to the intelligent reader that it is hardly necessary to state that security as an economic condition cannot be realized for society as a whole. Whatever *degree* of security it is possible for the individual to attain will be mainly through his own foresight and efforts, assuming that he has freedom to work out his own destiny.

Every Choice Involves a Risk

That insecurity is a powerful driving force in motivating human action would be hard to dispute. It is the awareness of insecurity that impels our plans and preparations for the future. We take out health and accident insurance, not as an assurance of good health or safety, but to be prepared for the possible unexpected emergency or misfortune. The desire for prosperity, while motivated by the urge to enjoy the advantages and comforts of living, also prompts most of us to save or invest part of that prosperity for the future so it will (we hope) continue to be available.

People face insecurity to accomplish a possible good. The early pioneers crossed the plains and mountains facing insecurity every mile of the way but went ahead courageously because they envisioned a new and better life at the end of the journey than the one they had left. It is doubtful that they thought of their adventure as a search for security, but they surely must have been aware of their insecurity.

Every man who establishes a new business or expands one already in operation takes a risk, however well he has allowed for

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emergencies or unexpected costs. But he knowingly and optimistically faces the insecurity of the situation to achieve his objectives.

Many farmers have begged for removal of government controls. They prefer their freedom to operate without restriction, with the insecurity of nature's whims and market fluctuations, with possible falling prices, to the false security of government subsidy with its controls and restrictions.

Psychologists often blame insecurity for deviations of personality and neurosis of various types. But it is only when a feeling of insecurity becomes a gnawing fear that it threatens emotional balance. This the layman does not always understand.

There are various causes of insecurity tensions; lack of money is but one of them. At the same time having plenty of the world's goods will not always ensure emotional stability. Many wealthy and famous persons have been driven to intemperance or suicide by feelings of insecurity which grew out of an unsolved personality problem. Behind the problem was the individual's failure to recognize or handle his own private insecurity.

As we pursue the analysis of security and its counterpart, insecurity, we are led to the conclusion that the effect of either will be determined by the mental attitude of the individual in his reaction to circumstances. Whether the mental attitude brings about the circumstances, or the circumstances create the mental attitude we will leave to the metaphysicians to debate. Our purpose here has been to show that insecurity will always be with us – with the individual – with society as a whole.

Insecurity is a normal factor of life. As a condition of life, or as an emotion, it serves a purpose. It can be an incentive or a challenge. Seen in proper perspective, it can be a blessing in disguise. ◈

Benjamin Franklin

THEY that can give up essential liberty to obtain a little temporary safety deserve neither liberty nor safety.

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LUDWIG VON MISES

A National Policy for Peace

What is needed to make peace durable is a change in ideologies

THE CONFLICT between the have-nots and the haves is a real conflict. But it is present only in a world in which any sovereign government is free to hurt the interest of all peoples – its own included – by depriving the consumers of the advantages a better exploitation of this country's resources would give them. It is not sovereignty as such that makes for war, but sovereignty of governments not entirely committed to the principles of the market economy.

Liberalism did not and does not build its hopes upon abolition of the sovereignty of the various national governments, a venture which would result in endless wars. It aims at a general recognition of the idea of economic freedom. If all people become liberal and conceive that economic freedom best serves their own interests, national sovereignty will no longer engender conflict and war. What is needed to make peace durable is neither international treaties and covenants nor international tribunals and organizations like the defunct League of Nations or its successor, the United Nations. If the principle of the market economy is universally accepted, such makeshifts are unnecessary; if it is not accepted, they are futile. Durable peace can only be the outgrowth of a change

Dr. Mises is Visiting Professor of Economics at New York University. This is an excerpt from *Human Action* (Yale University Press, 1949).

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in ideologies. As long as the peoples cling to the Montaigne dogma and think that they cannot prosper economically except at the expense of other nations, peace will never be anything other than a period of preparation for the next war.

Protectionism Leads to Strife

Economic nationalism is incompatible with durable peace. Yet economic nationalism is unavoidable where there is government interference with business. Protectionism is indispensable where there is no domestic free trade. Where there is government interference with business, free trade even in the short run would frustrate the aims sought by the various interventionist measures.

It is an illusion to believe that a nation would lastingly tolerate other nations' policies which harm the vital interest of its own citizens. Let us assume that the United Nations had been established in the year 1600 and that the Indian tribes of North America had been admitted as members of this organization. Then the sovereignty of these Indians would have been recognized as inviolable. They would have been given the right to exclude all aliens from entering their territory and from exploiting its rich natural resources which they themselves did not know how to utilize. Does anybody really believe that any international covenant or charter could have prevented the Europeans from invading these countries?

Many of the richest deposits of various mineral substances are located in areas whose inhabitants are too ignorant, too inert, or too dull to take advantage of the riches nature has bestowed upon them. If the governments of these countries prevent aliens from exploiting these deposits, or if their conduct of public affairs is so arbitrary that no foreign investments are safe, serious harm is inflicted upon all those foreign peoples whose material well-being could be improved by a more adequate utilization of the deposits concerned. It does not matter whether the policies of these governments are the outcome of a general cultural backwardness or of the adoption of the now fashionable ideas of interventionism and economic nationalism. The result is the same in both cases.

Change in Ideologies

There is no use in conjuring away these conflicts by wishful thinking. What is needed to make peace durable is a change in ideologies. What generates war is the economic philosophy almost universally espoused today by gov-

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ernments and political parties. As this philosophy sees it, there prevail within the unhampered market economy irreconcilable conflicts between the interests of various nations. Free trade harms a nation; it brings about impoverishment. It is the duty of government to prevent the evils of free trade by trade barriers. We may, for the sake of argument, disregard the fact that protectionism also hurts the interests of the nations which resort to it. But there can be no doubt that protectionism aims at damaging the interests of foreign peoples and really does damage them. It is an illusion to assume that those injured will tolerate other nations' protectionism if they believe that they are strong enough to brush it away by the use of arms. The philosophy of protectionism is a philosophy of war. The wars of our age are not at variance with popular economic doctrines; they are, on the contrary, the inescapable result of a consistent application of these doctrines.

Why League of Nations Failed

The League of Nations did not fail because its organization was deficient. It failed because it lacked the spirit of genuine liberalism. It was a convention of governments imbued with the spirit of economic nationalism and entirely committed to the principles of economic warfare. While the delegates indulged in mere academic talk about good will among the nations, the governments whom they represented inflicted a good deal of evil upon all other nations. The two decades of the League's functioning were marked by each nation's adamant economic warfare against all other nations. The tariff protectionism of the years before 1914 was mild indeed when compared with what developed in the 'twenties and 'thirties – viz., embargoes, quantitative trade control, foreign exchange control, monetary devaluation, and so on.

The prospects for the United Nations are not better, but rather worse. Every nation looks upon imports, especially upon imports of manufactured goods, as upon a disaster. It is the avowed goal of almost all countries to bar foreign manufactures as much as possible from access to their domestic markets. Almost all nations are fighting against the specter of an unfavorable balance of trade. They do not want to cooperate; they want to protect themselves against the alleged dangers of cooperation. ◈

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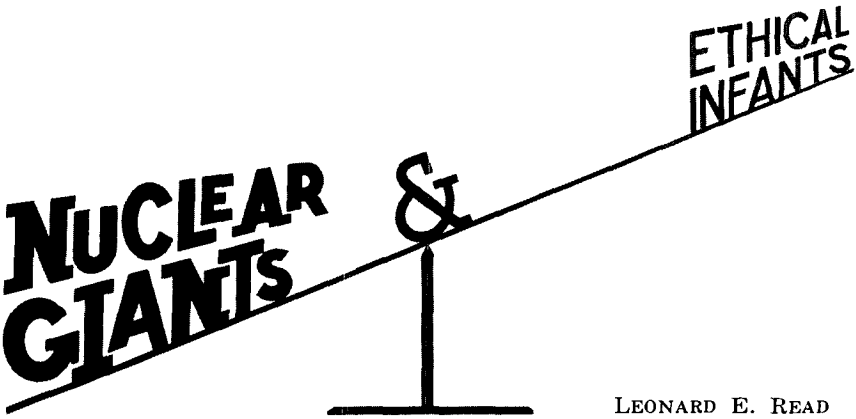

LEONARD E. READ

THE INEVITABLE consequence of governmental intervention in the market is imbalance. That is, when government deviates from its proper role of keeping the peace and invoking a common justice, the result is shortages and surpluses. Merely as examples: presently, we are experiencing a wheat glut – by reason of support prices; France has a housing shortage – because of ceiling prices.[1] Surpluses and shortages are phenomena of the rigged market, never of the free market.[2] The free market always moves toward equilibrium – balance is its built-in tendency.

There is governmental intervention in the field of education. We should, therefore, be able to detect surpluses and shortages, that is, an imbalance in types of knowledge. There can never be a surplus of knowledge, but there can be – and is – a superfluity of technical know-how relative to general wisdom or understanding. My thesis is that government's intervention in education is, to a marked extent, the cause of a dangerous and grotesque imbalance between these two distinct types of knowledge. In any event, this is the issue here explored.

General of the Army, Omar Bradley, helps us to focus attention on the kind of imbalance here in question:

> We have many men of science; too few men of God.
>
> We have grasped the mystery of the atom and rejected the Sermon on the Mount.
>
> The world has achieved brilliance without wisdom, power without conscience.

[1] See the pamphlet, *No Vacancies*, for an account of rent control in France. Single copy on request. Write the Foundation for Economic Education, Inc., Irvington-on-Hudson, New York.

[2] See "The Market Is a Computer," THE FREEMAN, March, 1964.

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> Ours is a world of nuclear giants and ethical infants.
> We know more about war than we know about peace, more about killing than we know about living.[3]

General Bradley's is an astute and, I believe, an important observation.[4] This imbalance in types of knowledge flowing from our vaunted educational system is at once startling and ominous. For never in human history have a people spent as much time in classrooms as the present generation of Americans. Never as much money spent for education! Never a greater hue and cry for the expenditure of additional billions to finance more of the same! But, significantly, never so much grumbling about the educational results. Quite obviously, there is a common awareness that something is out of kilter, even though there is very little certainty as to what's at the root of it.

Is it not clear that our educational emphasis is more on accumulating know-how than on gaining wisdom or understanding? Our know-how in the fields of mathematics, physics, chemistry, and other sciences has made possible the hydrogen bomb, as well as the putting of monkeys and men into orbit, and sending TV sets to the moon. Observe the nature of quiz shows and the kudos we heap on masters of current events and the obeisance we pay to those who can recite the encyclopedia. We know how to make clothes out of sand, airplane wings from sea water, utensils from oil. If we don't make silk purses out of sow's ears, it is only because — well, who wants a silk purse? We have know-how galore, giving us enough power to destroy every living thing. Know-how is power, and we tend to worship power.

Important To Know Why as Well as To Know How

But where is the understanding to balance the know-how? A break-through in know-how appears to have edged wisdom off the driver's seat. For, are we not, as a nation, on the same reckless course that has brought about the fall of one civilization after another? Self-responsibility — amidst an abundance of know-how and a paucity of wisdom, understanding, conscience, ethics, insight — has given way to government responsi-

[3] Address, Armistice Day, 1948.

[4] I concede that this alleged imbalance between know-*how* and know-*why* rests solely on value judgments and, thus, this analysis can have meaning only to those who, in a general way, share my values. What follows cannot rise above nonsense to those who attach importance only to more and more technological know-how — scientism — and little, if any, importance to understanding and wisdom.

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bility for our security, welfare, and prosperity, reminiscent of the Roman Empire's later days. Unwisely, we increase the curbs on individual initiative. The theme that we can spend ourselves rich has, among "nuclear giants," switched from heresy to orthodoxy; inflation is dreaded and cursed by the very people who, in an utter lack of understanding, promote it. Feathering the nests of some at the expense of others has, in our know-how society, become the chief political preoccupation. Among the "well-educated," the number who think of rights to life, livelihood, liberty as deriving from the state, not the Creator, is growing, and integrity gives way to popular acclaim. The directive of one's behavior is less and less what conscience dictates as right and more and more what the gods of fame and fortune decree. A little knowledge may be dangerous, as the saying goes, but a rapidly expanding know-how, unless balanced by a commensurately expanding wisdom, assuredly spells disaster.

Perhaps we can better assess our present position by taking stock of our beginnings. To illustrate: The Bible, filled with much understanding and wisdom — in a very real sense an educational launching pad for Western civilization — was compiled some eighteen to twenty-eight centuries ago.[5] The writers had little of the know-how we possess. Perhaps they never dreamed of, let alone knew, the multiplication table. Of higher mathematics they were unaware. Zero wasn't invented until centuries after their time. There wasn't a B.A. or Ph.D. among them; indeed, could any Biblical writer have passed one of our eighth grade examinations? Know-how — as we use the term — was not their primary objective, but understanding principles was. They were men of insight and integrity.

To Practice Virtue

The first stage of wisdom requires that we understand the virtues and how to live them. Integrity, that is, fidelity to one's highest conscience, is foremost and basic. Next is humility — in the sense of freeing oneself from be-like-me-ness. These prime virtues, if understood and practiced, impart a rare wisdom: a sensitive and acute realization that a human being is a man and not a demigod. Without this wisdom, man tends

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[5] To appreciate the extent of the U. S. A.'s religious heritage and its impact on our Founding Fathers, see *The Christian History of the Constitution of the United States*, compiled by Verna M. Hall. (Available from the Foundation for Economic Education, Inc. 436 pp. $7.50.)

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to behave as demigod. And therein I believe lies the key to educational imbalance.

No one has ever seen a demigod, except perhaps in the mirror. Thus, a demigod is an error of the psyche, nothing more. But this error must not be discounted; it is widespread and unbelievably powerful. To assess its pervasiveness, merely note the millions of individuals who actually believe that the rest of us would fare better were we a reflection of themselves. Each of these millions would have us live in the kind of housing he has in mind, work the hours he prescribes, receive the wages he thinks appropriate, exchange with whom he decrees and on terms he proposes, but, more particularly, he wants us to be educated as he thinks proper! Bear in mind, however, that not a single one of these millions is a demigod in the judgment of any other person than himself. Perhaps he may never think of himself in such egotistical terms; he merely performs as if he were a demigod: *He would mold us in his own image!*[6] I repeat, this is an error of the psyche, nothing more.

My hypothesis: Our educational system, to a marked extent, stems from this error of the psyche. If this be demonstrable, then we can account for some of the faults we are finding with the system, the hassles over integration and segregation, prayers in schools, and so on. We will then perceive why we are putting such an emphasis on the acquisition of know-how to the neglect of understanding or wisdom; we will become aware of the corrective steps that must be taken if know-how is to be balanced with wisdom; and we will have the background for not thrusting ourselves further down a dead-end road.

Between You and Me

Let us begin an examination of this hypothesis by reducing the problem to manageable proportions: a consideration of only two individuals, you and me. While it is easily demonstrable that I know very little about me and you about yourself, I know more about myself than anyone else does, and I acknowledge that you know yourself better than I know you.

The most important admission

[6] This behavior is, of course, egotism in its most destructive form. Instead of seeking self-fulfillment in the development of the individual's moral nature, sense of justice, creativity, such behavior expresses itself in the imposition of the individual's will on others. Only in self-realization can there be growth among the human species; inflicting self on others — the demigod behavior — can result only in stultification.

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to be made at the outset is that you and I are not alike. Our inheritances differ as do our environments. My aptitudes, faculties, potentialities, likes and dislikes, yearnings, inhibitions, ambitions, capabilities and inabilities to learn about this or that, are not at all like yours. As to our common ground, each of us has a moral obligation not to impair the life, livelihood, or liberty of others. Beyond this, we must resort to the broadest and more or less irrelevant generalities: we are Americans, we belong to the human species, and so on. We aren't as "two peas in a pod"; we are at variance in every particularity.[7] We not only differ from each other, but we don't remain constant ourselves; each of us is in perpetual flux, changing in every respect daily, aging in some ways, growing in others.

In short, we must keep in mind that you and I are unique specimens of humanity; we are peculiarly distinctive; that is, each of us is *an original,* the first and only creation of its kind in cosmic experience; that nothing identical to either you or me is possible; that neither of us has ever been, is now, or ever will be, duplicated. You, as much as I, are a physical, mental, moral, perceptive, political, and spiritual entity – a *singular* entity – and any carbon copy is out of the question.

Before moving on to the next phase of this analysis, I must ask that you make an extravagant assumption in this you-and-me situation, namely, that I am as knowledgeable and as wise as the most powerful political leader in the nation.[8] Otherwise, I run the risk of my hypothesis being disregarded by reason of my own acknowledged shortcomings.

A Voluntary Process

Let us now examine my possible educational relationships to you. At issue are two opposed roles that I might assume. The first and, to me, the proper role is to let you draw on such know-how and understanding as I may possess and as *you may determine.* Education is a seeking, probing, taking-from process and the initiative must rest with the seeker. As great as is my stake in your better education, I must concede that your progress depends on your desire to learn, that this inquisitiveness into the nature of things is a truly spiritual experience – the spirit of inquiry – that this is *wholly voli-*

[7] See *Biochemical Individuality* by Roger Williams (New York: John Wiley & Sons, Inc., 1956), pp. 2-3.

[8] I use "most powerful political leader" because, as will be demonstrated, our educational system is, in most essential respects, geared to a political organism.

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tional and that you are the sole possessor of your volitional stimuli. These, as related to you (or *your* children), are exclusively yours; they do not, they cannot, rest with me or any other person. Mine is, at best, only an exemplar's role: it is to improve myself to the utmost and thus to persuade solely by precept and example. If it turns out that I have something in store which in your view – not mine – may lift you (or *your* children) up another notch, then my self-interest is served by obliging you. Arranged in this pattern, the student selects his teachers.[9]

If you – regardless of who you are – will confine your evaluations to the you-and-me situation, that is, if you will exclude any thought of anyone but the two of us, you will readily agree that my role, as above portrayed, is a proper one; it isn't possible for any rational person to conclude otherwise! In short, you would not have it any other way. And, further, I am quite certain that when you are at liberty to glean from me or any others as you may choose, you will obtain for yourself as balanced an educational diet as is possible for you. As with food for the flesh, so with sustenance for the intellect and the spirit: you will be led naturally to select those bits of know-how and wisdom from first this and then that person – a balancing of these two types of knowledge which will gratify those needs peculiar only to you among all mankind. You will gravitate in due course toward that balance of know-how and wisdom needed for the fulfillment distinctive to your own person.[10] In other words, *you will learn more of what you want to learn if you are free to choose what you want to learn than if you are not free to choose what you want to learn.* This is self-evident; it needs no proof.

Authoritarian Approach

My second possible role is that of demigod – the one currently in vogue and the role here in question. Not that I am a demigod – no one is – but let us assume that I pose and behave as one: I shall

[9] If the student is a child, the selection is made by the parent, for the child, until reaching the point of self-responsibility, is but an extension of the parent's responsibility. For an expansion of this idea, see "Academic Freedom," THE FREEMAN, June, 1962.

[10] That wisdom of the ancients – the Biblical writers – which remains as the core of our idealism to this day was, so it appears, come upon in this free-seeking, self-responsible manner. There was nothing that qualified as an educational "system." The political establishment in those centuries was anything but an "aid" to education. The wisdom seems to have come from avid seekers after truth, working on their own initiative, more self- than other-directed.

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compel your (or *your* children's) classroom attendance, write your curriculum in accord with my notions of your needs and force it upon you and, lastly, I shall coercively extort the financial wherewithal from all and sundry to defray the costs of imposing my own peculiar brand of knowledge upon you. In short, I shall attempt, as would a demigod, to cast you in my image!

Bearing in mind our countless differences, what would you think of my program for making you (or *your* children) a carbon copy of me? Even conceding that I am as well-balanced in know-how and wisdom as our country's most powerful political leader?

In any event, is it not evident that the approach of the demigod – an error of the psyche – is antagonistic to the advancement of wisdom even though some chunks of know-how might be rammed into your reluctant head? Your and my creative peculiarities are so diverse that they cannot mesh; mine cannot be forcibly impressed upon yours without misshaping both yours and mine. It is somewhat analogous to taking a male die and a female die, each made of pliable, delicate material – but not matching – and pressing them together by an external pressure. The uniqueness of each would be destroyed.

Coercion Is Not Creative

Wisdom has its genesis in creative phenomena. Coercion, clearly, is not a creative force; it is, by definition, repressive and destructive. Physical force can no more be used to stimulate the spirit of inquiry or advance wisdom or expand consciousness or increase perception than it can be employed to improve prayer – and for precisely the same reason. Acquiring understanding or wisdom springs from the volitional faculty as does wishing or exercising judgment or contemplating or praying.

Let me repeat, there is not a single demigod on the face of the earth but, unfortunately, millions of human beings behave as if they were God; the you-should-believe-and-behave-as-I-do variety is all about us; indeed, there may be but few persons who have completely shed themselves of this holier-than-thou trait. However, unless these persons go beyond the believing, behaving, talking, writing stage, their image-molding affliction does no more damage than an offensive TV ad: we can tune them out! Their misconception wreaks no more havoc than does other error, *as long as their passive image-molding is not activated by coercion.*

The you-and-me situation, as above portrayed, will evoke but little disagreement. But get set for

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a shock! For unless you are one of a very few – a fraction of one per cent – who has thought this problem through to a conclusion, what follows will tend to offend. While I shall do no more than to multiply myself in the role of image-molding-by-force several million times, the mere multiplication – nothing more – will give us a situation that coincides with long-established and generally approved American custom. To question "the establishment," in any instance, is to affront the mores, a risky business. However, we should never fear taking a hard look at any rut we may be in.

So, here it is: If it is evident that the forcible casting of you (or *your* children) in my image is wrong, let me suggest that government schooling, practiced here for well over a century, is precisely the same thing, except on the grand scale. Instead of your being cast in the mold of one who has the know-how and wisdom of our most powerful political leader, tens of millions are and have been cast in molds shaped from nondescript plebiscites, each mold being patterned after nothing better than the compromises produced by political committees; all molds shaped by collectives, no member of which has any more sense of responsibility toward any particular individual than does the collective itself. Self-responsibility is not the trait of a committee or collective.

Education and Force

Lest you get the idea that I have made some sort of a shift from the you-and-me arrangement to government schooling, let me hasten to add that the two are identical with respect to the compulsions involved:

1. Compulsory attendance
2. Government prescribed curricula
3. Forcible collection of the wherewithal to defray costs

Were these three compulsions removed, schooling in the U.S.A. would automatically be restored to, shall we say, free market schooling.[11]

I readily concede that a great deal of first-rate education goes on in our government school systems; but I must insist that the first-rate production is in spite of, not because of, the coercive or governmental aspects. Untold millions of teachers and students, in many of their day-to-day relationships, are on a voluntary, not a coercive basis; to a large extent the students are selecting their teachers. But wherever coercion insinuates itself into schooling, that is, the

[11] The alternative to government education is free market education, with competition prevailing.

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up-bringing process, be it government or private, an imbalance of know-how and wisdom will become evident. Wisdom will decrease, not increase, when the reliance is on duplication by force; wisdom cannot be grafted onto a carbon copy.

The Seen and the Unseen

While it is easy enough to see how wisdom suffers under schooling systems that feature coercion, it is difficult to understand why know-how thrives so well. Perhaps part of the explanation has to do with that which can be seen and that which cannot be seen – with the distinction between sight and insight. That which can be seen – the multiplication table, for example – can be and is "learned by heart" by those who are compelled to attend classes. Insight, however, the mother of wisdom, is of a different order and cannot be so induced. But – here's the rub – neither can invention (from which stems our enormous know-how) be so induced.

How, then, can coercion stimulate the know-how type of inventiveness? No one can be coerced to invent, for inventiveness belongs to the creative order. Nor is compulsory invention attempted. Instead, billions of dollars are forcibly collected from all of us – limiting our individual pursuits – and used to pay for government's know-how pursuits: science, war hardware, moon machinery, and so on. No government regime is capable of inducing wisdom and would not know what to do with it in any event. An expansion of know-how and the power it gives is what's politically attractive. Further, *inventors are as creative if paid by coercively collected funds as if paid by voluntarily contributed funds.* He who pays the fiddler calls the tune. Government calls for know-how and gets it. Compulsion – government intervention in the educational market – accounts, in no small measure, for the imbalance of know-how and wisdom.

The Result Is Conformity

Some, at this point, will counter with the argument that we have many private educational institutions and that the students from these are no more distinguished for wisdom than those graduated from government institutions. The point is conceded. But so-called private institutions in a statist society are not, in fact, strictly free market in character. Not only must they liken themselves markedly to "big brother" and devote much time teaching about the economics and philosophy of statist institutions, but they are licensed and regulated and increasingly financed by their statist

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"competition." So-called private institutions differ from government institutions in that they are not financed exclusively by tax funds, and the government influence on them is exerted by privately as distinguished from governmentally appointed citizens. In most important respects the "private" and government institutions are strikingly alike today – a drab conformity. In a society where education is preponderantly statist and where so much of the nation's resources are converted to know-how pursuits, the situation could not be otherwise.

Where Did It All Begin?

Finally, it would seem appropriate to inquire how we in the U.S.A. got off on the wrong foot; how did we, in the first place, ever acquire an educational system that turns out graduates who acknowledge its many faults but who, instead of looking for something out of kilter, merely insist on remedy by expansion?

History reveals the original "reasoning" to have been somewhat as follows: America is to be a haven for free men. To accomplish this, we must have a people's, not a tyrant's government. However, such a democratic plan will never work unless the people are educated. But free citizens, left to their own resources, will not accomplish their intellectual upbringing. Therefore, "we" must educate "them": compulsory attendance in school, government dictated curricula, forcible collection to defray the costs.

Of course, the early proponents of government education never put the case in these concise terms. Had they done so, they would have discovered, at the outset, how illogical they were. Imagine: *We will insure freedom to "the people" by denying freedom to them in education, for if their education is entrusted to freedom they will remain uneducated and, thus, will not be able to enjoy the blessings of freedom!* Illogical? How can we ever expect a people brought up on coercion to be free of demigod mentalities? Does a coercive educational system have the intellectual soil and climate where freedom and wisdom may flourish? The answers lie all about us.

Some of our forefathers did behave – indeed, even as you and I – like demigods, but "for the good of all," mind you! And in the name of doing good – occasionally erring as do we all – they hooked up coercion to the spirit of inquiry and got for themselves and their posterity a grotesque imbalance of know-how and wisdom. Assuredly, any light coercion produces is not in the form of wisdom.

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The Key Is The Individual

Once on this coercive trek toward nuclear giants and ethical infants – toward know-how in everything and understanding in nothing – how do we back out of it? The steps are simple enough to designate, if not to take; but reaching our goal may take a bit of time. How long? Nothing less than the hours or days or years you and I and others need to recover from our demigod pose – nothing less than the time it takes to reject compulsion and to accept liberty in education. How, any rational person must ask, can a people be free or wise unless they are brought up in, steeped in, believe in, and understand that growth in wisdom presupposes freedom of the individual to pursue what is wise? As the present imbalance between know-how and wisdom has its genesis not with government but with the individuals who make government what it is, so a balancing of these two types of knowledge rests with individuals – with those who can see as imperative the practice of freedom in education. ◈

A sequel to this article, entitled "The Case for the Free Market in Education," will appear in the next issue.

The Government's Role in Discovery

THERE IS ONE overriding consideration that I would commend to the policy-makers and to the public at large. It is this: The national interest will best be served if we keep continuously in mind that the direction of science never has been and never will be as important as its freedom. Let us remember that many of the great discoveries associated with such names as Newton, Einstein, Kekule, Hertz, Thompson, Compton, and Fleming have not come from programs directed toward solving specific problems.

DR. MAX TISHLER, President
Merck Sharp & Dohme Research Laboratories

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"RESERVATION FEVER" • R. J. RUSHDOONY

Among various "mistaken correlations" are the notions:

- *that inflation causes prosperity,*
- *that toads cause warts,*
- *that labor unions raise real wages,*
- *that snake dances bring rain.*

In checking on snake dances, inquiry was made of the Reverend R. J. Rushdoony, who spent many years as a missionary among the American Indians. His response included the following "extraneous information."

I HAVE HAD some experience with medicine men. In many respects, they were backward, superstitious, and irresponsible characters who hated progress. In other respects, they were shrewd, calculating psychologists who put our psychiatrists to shame with their diabolical knowledge of man's nature and weaknesses.

An important point about the snake dance, and many similar ceremonies: We assume them to have been religious services. They were not. They were magical, prescientific attempts at controlling nature. The Indians had very little religion in our sense of the term, a concern with ultimate issues, and an attempt to order life and society in terms of ultimate truth. Rather, their concern was with *health* (hence the medicine man) and *power,* over nature and over men. A *welfare* order was thus their major interest. Some tribes, especially in the Southwest, were more or less communistic. Among those Plains Indians who were more nearly individualistic, the chief had the ascendency . . . until defeat and servile conditions made the medicine man, like Sitting Bull, able to seize power from the hands of the military leaders. It is a grimly ironic fact that we today remember Sitting Bull, and call him a "chief," which he was not, and forget the real leaders of the Sioux tribes.

I believe that an interesting and important point can be made by developing this facet of Indian life. Today, we find that historic Christianity is giving way to social gospel teachings (welfare economics, if you can call it economics), and to mental health programs as a substitute for religion. As an Indian told me in 1945, the white man today has "reservation fever." ◈

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ROBERT COULSON

A TEN-DOLLAR

"THERE is no trick to this," said the man. "I'll sell you a brand new Cadillac, this year's model, for ten dollars. I'll sell you as many as you want. Or any other make of car on the same basis. Any color or model, and I'll make the same offer next year when you wish to trade it in.

"For my profit," he continued, "all I want is a note for thirty thousand dollars payable twenty years from now, and signed by your relatives and neighbors."

My first reaction was suspicious refusal. It seemed that he was making too much profit. There was too great a difference between five thousand dollars advanced now and thirty thousand dollars repaid in twenty years. But then the gnawing doubts began to assail me.

I would not have to repay any of it. Perhaps my children and neighbors could easily afford the money when the debt came due. Perhaps none of them would be alive. Perhaps they will have moved away, and he cannot find them to serve the legal papers on them. Perhaps my grandchildren and neighbors can win the case in court twenty years from now. Perhaps there will be wild inflation then, and thirty thousand dollars will seem nothing. Perhaps this country will be conquered by another country, or become involved in a civil war, and the debts will all be voided.

If any of these things happen; if there is any kind of inflation, repudiation, or invasion, then I could beat the game and have a Cadillac for ten dollars.

And even if none of those things happen within the twenty years, my grandchildren and the neighbors' grandchildren can refinance the note and promise to pay sixty thousand dollars in

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CADILLAC

twenty more years, and they can wait for the inflation, repudiation, or invasion.

There is a great temptation to gamble on the hope that Something Will Happen. Meanwhile, the Cadillac would be mine to enjoy. So I selected a white convertible, paid the ten dollars, and drove happily away.

But how did that huckster and I manage to get my relatives and friends to sign those notes? Easy! We cut them in on the same deal. And to salve their consciences, we put cars at the bottom of the list and offered them education, medical care, and similar goods and services that they desperately needed. We had no trouble at all in getting them to vote on the scheme and turn the whole thing over to our government officials to handle for us. After all, isn't that why we elect them?

So I am driving a white Cadillac. My elderly neighbors across the street are receiving their monthly checks from Washington. My neighbor's children next door are all in college at little cost to the parents. The other next-door-neighbor gets food coupons, plus a check from his government for not working.

And so on.

I expect that I will be dead before it is time to pay the piper. My grandchildren? Well, surely they will be at least as smart as I am. All they need do to beat the game in their time is to repudiate the debt, inflate the currency, or (if they are not too smart) refinance the national debt.

You know, sometimes I suspect that something is wrong with this whole scheme of more benefits from Washington at no cost except an increase in the national promise to pay in the distant future. But I don't seem to be able to explain it – even to myself; after all, I *am* driving that white convertible. ◈

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A TRUMPET CALL TO FREEDOM

TWENTY YEARS AFTER

WILLIAM HENRY CHAMBERLIN

THIS YEAR marks the twentieth anniversary of the publication in this country of Friedrich Hayek's *The Road to Serfdom*. Few books are remembered after such a lapse of time. But Hayek's trumpet call to the economic freedom without which, as he demonstrates brilliantly, other freedoms are doomed to perish, remains quite undiminished in the freshness and universality of its appeal. *The Road to Serfdom* deserves a place of honor in every libertarian library; no other work has put the case for freedom and against totalitarian planning with such a happy blend of fire and logic, offering a scholar's erudition in a style quite understandable to the normally well-educated human being.

Austrian-born Hayek, who has taught and lectured in Great Britain and the United States and who is now a professor at the old university in the picturesque South German town of Freiburg, has long enjoyed an impressive reputation among his economic peers. He is the author of a number of works on such subjects as prices and production, monetary theory and the trade cycle, profits, interest and investment, the pure theory of capital. *The Road to*

Mr. Chamberlin is a skilled observer and reporter of economic and political conditions at home and abroad. In addition to writing a number of books (his latest, *The German Phoenix*: Duell, Sloan & Pearce), he has lectured widely and is a contributor to *The Wall Street Journal* and numerous magazines.

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Serfdom was, for him, a new venture, and a conspicuously successful one, in the field of popular pamphleteering.

Hayek left his native Austria, where he had taught economics at the University of Vienna, and took up residence in England. There, as a member of the faculty of the London School of Economics, he furnished a useful counterbalance to the collectivist theories of Harold J. Laski. He became a British citizen in 1938, when Nazism took over Austria. Abhorrence of those monstrous twin offspring of collectivist planning, communism and Nazism, has been a consistent principle of his thinking.

His *Road to Serfdom* is a *cri de coeur,* an alarm call emanating from the depth of his being at the thought that the Western countries, notably the United States and Great Britain, might have resisted the communist-fascist contagion only to succumb from within. This might happen as a result of a mistaken idea that other liberties will survive the destruction of the free market and the rule of law which inevitably grows out of attempts by government to plan and dictate to the individual how he is to carry on his activities.

In his stirring appeal to reason and to liberty Hayek is able to draw not only on his own vast stock of knowledge, but, thanks to his enormous erudition, on the ideas of many other outstanding thinkers. One of the most powerful indictments of the whole idea of state planning is the following quotation from Adam Smith:

> The statesman who should attempt to direct private people in what manner they ought to employ their capitals would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted to no council and senate whatever, *and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.* (Italics supplied.)

Fallacies Exposed

Hayek sets up and effectively demolishes every plausible shibboleth and sophistry by which collectivists seek to justify their belief that people may properly be forced to accept collectivist patterns of life for their own good. This kind of arrogance, in its extreme development, has meant, in Russia, "liquidation of the kulaks as a class," a euphemism for economically and often physically exterminating the peasants who were a little better off than their neighbors and the establishment of a network of slave labor concentration camps. In China it has

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meant the "elimination" of millions of alleged counterrevolutionaries, the "re-education" of millions more in forced labor projects.

In milder, earlier form this same arrogance asserts itself in theories that some bureaucrats, or state agencies, have a better right to determine how people shall spend their money than the people themselves. Here is Hayek disposing of this fallacy that, because comparatively few individuals think originally or independently, there is a moral justification for imposing one pattern of ideas on all the people:

> In any society freedom of thought will probably be of direct significance only for a small minority. But this does not mean that anyone is competent, or ought to have power, to select those to whom this freedom is to be reserved. . . . It shows a complete confusion of thought to suggest that, because under any sort of system the majority of people follow the lead of somebody, it makes no difference if everybody has to follow the same lead. To deprecate the value of intellectual freedom because it will never mean for everybody the same possibility of independent thought is completely to miss the reasons which give intellectual freedom its value. What is essential to make it serve its function as the prime mover of intellectual progress is not that everybody may be able to think or write anything *but that any cause or idea may be argued by somebody.* (Italics supplied.)

One Monopoly Only

Advocates of socialism make real or alleged private monopolies one of their principal targets of attack. But their remedy, to turn all economic enterprise over to an omnipotent and omnicompetent state, is clearly far worse than the disease. Professor Hayek hammers home this point with relentless logic:

> Our freedom of choice in a competitive society rests on the fact that, if one person refuses to satisfy our wishes, we can turn to another. But if we face a monopolist we are at his mercy. And an authority directing the whole economic system would be the most powerful monopolist conceivable. While we need probably not be afraid that such an authority would exploit this power in the manner in which a private monopolist would do so, while its purpose would presumably not be the extortion of maximum financial gain, it would have complete power to decide what we are to be given and on what terms. It would not only decide what commodities and services were to be available and in what quantities; it would be able to direct their distribution between districts and groups and could, if it wished, discriminate between persons to any degree it liked.

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For an object lesson in the truth of this observation one need only consult consumers in any communist-ruled country. Perhaps the single most important reason for the vast gulf between the standard of living and the general state of comfort and consumer satisfaction in competitive and collectivist societies lies in the inevitable enormous difference between a system in which business enterprise must please the customer or fail and one in which the customer must accept whatever the state thinks he ought to have.

Concentration of Power Is Always a Danger

Hayek designates as a tragic illusion the belief of many "liberal" socialists that by depriving private individuals of the power they possess in an individualist system, and transferring this power to society, they can extinguish power altogether. What he has to say here is one of the highlights of his hard-hitting, powerfully reasoned essay:

> What all those who argue in this manner overlook is that, by concentrating power so that it can be used in the service of a single plan, it is not merely transferred but infinitely heightened; that, by uniting in the hands of some single body power formerly exercised independently by many, an amount of power is created infinitely greater than any that existed before, so much more far-reaching as almost to be different in kind. . . . To split or decentralize power is necessarily to reduce the absolute amount of power, and the competitive system is the only system designed to minimize by decentralization the power exercised by man over man.

In other words, the competitive system has not only been demonstrably far more successful than any other in creating more wealth for more people. It has also served a very important moral purpose, by minimizing the concentration of power which has always been the principal characteristic of tyranny and the crimes of cruelty and oppression which tyranny generates. The association of respect for private property with all basic human rights is clear and indisputable, and never more so than in the twentieth century, when it has invariably been the regimes that, in one way or another, denied, abrogated, or abridged private property that committed crimes so monstrous that the very thought of them would have seemed incredible in previous centuries. One refers, of course, to the genocidal extermination of the Jews in Nazi-ruled Europe, to the destruction of the kulaks, the state-organized famine of 1932-33, the wholesale executions and huge slave

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labor system of the Soviet Union under Stalin.

The Road to Serfdom, unlike Hayek's earlier learned works on economics, is no specialized study, comprehensible only to experts; it is the outburst of a man deeply concerned with moral issues which go to the heart of our Western civilization. So it contains this powerful comment on the very old ethical issue of whether the end justifies the means. (Most students of history would agree that this dilemma is more apparent than real, because the means inevitably shape and determine the end; it is inconceivable, for instance, that any really desirable goal can be reached through mass murder.)

> The principle that the end justifies the means is in individualist ethics regarded as the denial of all morals. In collectivist ethics it becomes necessarily the rule; there is literally nothing which the consistent collectivist must not be prepared to do if it serves "the good of the whole," because the "good of the whole" is to him the only criterion of what ought to be done . . . .There can be no limit to what the citizen must be prepared to do, no act which his conscience must prevent him from committing, if it is necessary for an end which the community has set itself or which his superiors order him to achieve . . . . Once you admit that the individual is merely a means to serve the ends of the higher entity called society or the nation, most of those features of totalitarian regimes which horrify us follow of necessity. From the collectivist standpoint intolerance and brutal suppression of dissent, the complete disregard of the life and happiness of the individual, are essential and unavoidable consequences of this basic premise, and the collectivist can admit this and at the same time claim that his system is superior to one in which the "selfish" interests of the individual are allowed to obstruct the full realization of the ends the community pursues.

The Rule of Law Declines in Hitler's Germany

The Road to Serfdom fairly bristles with seminal ideas on the nature of human relations in politics and economics. Hayek stresses the point that the controls which had been imposed in Germany before Hitler came into power had done much of the paranoid dictator's work for him. Planning, as he points out, necessarily involves deliberate discrimination between particular needs of different people, and allowing one man to do what another must be prevented from doing. Hence, a decline in the principle of the rule of law, a reversion to the rule of status, a reversal of the movement of progressive societies which, in the words of Sir Henry Maine, has

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been a movement from status to contract.

Hayek is profoundly skeptical of the possibility of democratic planning, on an international as on a national scale. Getting down to cases, he poses questions which are very applicable today to the European Common Market experiment, admirable insofar as it means free trade over a wider area, questionable insofar as it tries to combine planning features with the abolition of trade barriers:

> Who imagines that there exist any common ideals of distributive justice such as will make the Norwegian fisherman consent to forego the prospect of economic improvement in order to help his Portuguese fellow, or the Dutch worker to pay more for his bicycle to help the Coventry mechanic, or the French peasant to pay more taxes to assist the industrialization of Italy? . . . How many people in England would be prepared to submit to the decision of an international authority, however democratically constituted, which had power to decree that the development of the Spanish iron industry must have precedence over similar development in South Wales, that the optical industry had better be concentrated in Germany to the exclusion of Great Britain, or that only fully refined gasoline should be imported to Great Britain and all the industries connected with refining reserved for the producer countries?

The Test of Time

Out of Hayek's love of liberty, out of his grief at the prospect of liberty being eroded in the house of its friends came a great book, worthy to rank with John Stuart Mill's essay, *On Liberty*. It stands up splendidly to the test of rereading twenty years after publication because the author possesses the rare combination of vast political, historical, and economic learning with a brilliant, flashing style. He has the knack of getting to the heart of a problem in a few words, as when he says:

> Who will deny that a world in which the wealthy are powerful is still a better world than one in which only the already powerful can acquire wealth?

And the narrative flow is frequently lightened by such epigrams as the following: "While the last resort of competitive society is the bailiff, the ultimate sanction of a planned economy is the hangman."

Let the numerous recent executions for "economic crimes" in the Soviet Union bear witness to the truth as well as the wit of this comment.

Hayek's book was a banner

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raised for integral liberty in a dark hour when war had strengthened the forces of totalitarian control all around and there was extravagant admiration for the economic planning of our "noble ally," Stalin's Soviet Union.

But the battle for liberty has to be won over and over again, despite such brilliant pragmatic demonstrations of its value as the spectacular recovery and development of the free part of Germany, the improvement in Great Britain after Labor's dull austerity was relaxed by the Conservatives. The possibility that, for political rather than economic reasons, Labor may get another chance in England, and the growth in influence of the left-wing Nenni Socialists in Italy, may have a detrimental effect on what has been a general European movement toward sound economics and prosperity. The planners in our own midst are not silent or inactive.

So libertarians should continue to rally around the banner of Hayek's inspiring plea for indivisible liberty – the best tract of its kind for the times. ◈

IDEAS ON LIBERTY

Morality and Choice

WHAT OUR GENERATION is in danger of forgetting is not only that morals are of necessity a phenomenon of individual conduct but also that they can exist only in the sphere in which the individual is free to decide for himself and is called upon voluntarily to sacrifice personal advantage to the observance of a moral rule. Outside the sphere of individual responsibility there is neither goodness nor badness, neither opportunity for moral merit nor the chance of proving one's conviction by sacrificing one's desires to what one thinks right. Only where we ourselves are responsible for our own interests and are free to sacrifice them has our decision moral value. We are neither entitled to be unselfish at someone else's expense nor is there any merit in being unselfish if we have no choice. The members of a society who in all respects are *made* to do the good thing have no title to praise.

FRIEDRICH A. HAYEK, *The Road to Serfdom*

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"The Public Demands . . ." (?)

EMERSON P. SCHMIDT

"THE PUBLIC demands more government spending, more programs, and more services . . ." is widely advanced as the reason for rising taxes, swelling bureaucracy, and the accretion of political power in Washington. "We must educate the public to demand less . . ." is said to be the remedy.

Did the public demand the Peace Corps? Or, a bit later, the establishment of an International Secretariat of the Peace Corps?

In what follows the aim is to show the incorrectness of the widely held notion that "public demands" initiate new government programs and new government activities. Indeed, it would be more accurate to say that the general public never makes any new demand on the public purse — with possibly one exception: only under extreme provocation or when the economic position of the public is abruptly and materially worsened as in a major disaster or depression.

Where, then, does the demand for more government spending come from? But first, what evidence do we have that these demands do not originate with the general public?

Possibly there is no need to argue the statement that the Peace Corps did not originate with the American public. The same is true of its International Secretariat. Possibly not one person in 10,000 even knows of the latter. The Peace Corps first sought such a Secretariat and staff in fiscal 1963. Congress refused to authorize

Dr. Schmidt taught economics in universities for nearly twenty years and from 1943 to 1963 served as director of economic research of the Chamber of Commerce of the United States. He now is an economic consultant, writer, and lecturer.

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funds for this purpose, but the State Department contributed $40,000 toward the support of the Secretary General and his staff. Even though Congress increased the appropriation of the Peace Corps itself by 60 per cent for fiscal 1964, it clearly stipulated that none of the money should be used for the International Peace Corps Secretariat. Obviously the American public hadn't the foggiest notion of what was going on. But in spite of the definite congressional disapproval the Peace Corps obtained the Secretariat which it wanted. ("The Dynamics of Government Growth" by David G. Davies, *Challenge*, N. Y., May, 1964, page 6.)

Congressman Clarence D. Long (for many years professor of economics at the Johns Hopkins University), a new recruit among the national legislators, described the innumerable small personal chores he did for his constituents and then said:

> All these efforts have won me a reputation as a hard-working congressman, who helps people. . . . I have discovered—or think I have—that most voters are not greatly interested in national legislation. They have problems and needs of their own, and if you help them with these, they allow you great freedom in voting on national legislation. Put it another way, a solid base of popularity with the ordinary voter gives a congressman sanctuary from pressure groups who want things inimical to the national interest. As a consequence, I can vote solidly for civil rights in a basically Southern state with a white constituency drawn increasingly from the deep South. (*Challenge*, N. Y., April, 1964.)

If Congressman Long has diagnosed his own situation correctly and his small-chore image for a few constituents is effective, we have here further evidence of the narrow base of the decision-makers.

The Demand for Social Security

Referring to a 13-member Advisory Council on Social Security, Robert M. Ball, Social Security Commissioner and Chairman of the Council, stated in February, 1964:

> This Council's work can set the pattern of our whole social security program for many years to come.

Meantime the "public" will sit on the sidelines. The average congressman may receive a small trickle of letters during Committee Hearings, but little else. The proposals of an earlier advisory council established in 1934 provided the basis for the original social security program adopted by Congress in 1935. Outside of

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the members of that council and some hired help (most of whom learned as they went) there were virtually no experts in the country on this subject. There was not a member in either the House or the Senate who had any clear ideas about social security or what it was to accomplish. Coverage, methods of financing, conditions of eligibility, types of programs – and a host of other matters – were set down by a handful of people. Its constitutional as well as its actuarial basis was obscure and unknown. Again, "public demands" were not the initiating forces.

About 50 to 55 years ago when state workmen's compensation laws were first proposed, Samuel Gompers, who had headed the American Federation of Labor since 1886 (except for one year), opposed compulsory workmen's compensation laws. The AFL did not favor general old-age and survivors' insurance or unemployment compensation until the economy was in deep depression in the 1930's and ideas for these programs were by then widely discussed.

Even though a major issue in the 1960 presidential campaign was our slow economic growth, in 1961 Congress amended the old-age and survivors' insurance statute to permit the retirement of males at age 62, after the newly-elected President advanced the idea. A careful investigation among the leaders of both the House Ways and Means Committee and the Senate Finance Committee did not reveal even a scintilla of evidence of public pressure for this age reduction.

Agriculture, Education, and Others

Ezra Taft Benson, Secretary of Agriculture for 8 years in the 1950's, wrote a 627-page book, *Cross Fire* (1962), describing in intimate detail the innumerable legislative battles, appropriation tussles, and the diverse tugs and pulls in Washington, but somehow he neglected in the book the "public demands" from the farmers themselves. The following question, therefore, was put to Mr. Benson: "Were you largely free from demands and pressures from the farmers themselves for this or that program or handout or whatever, or was your failure to develop this matter an oversight on your part as you wrote the manuscript for the book?"

Mr. Benson replied, "I had evidence that an overwhelming majority of farmers favored programs that would provide them with greater freedom and less government regulation and control. . . . I had little pressure from farmers for legislation involving at-

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tempts on production control and price fixing."

In a bitter address before the American Council on Education in October, 1961, on federal subsidies to education, the Secretary of the Health, Education, and Welfare Department, in great disgust cast aside his manuscript and lectured and scolded his audience for not coming to the rescue of educational subsidies via the U. S. Treasury. He said, "Mail urging the Congress to do something for education was infinitesimal. There was a great void, a great silence." (*The Washington Post*, October 6, 1961.)

In a speech to a western audience, Chief Justice Earl Warren said:

> There may have been times in our history when the federal government became too deeply involved in matters that were the proper prerogatives of the states but *in my opinion* this has generally happened only when the states themselves have failed to meet the needs of the people. [Italics added.]

Fortunately the Chief Justice included the phrase "in my opinion." But he went on to say:

> When the state governments fail to satisfy the needs of the people, the people appeal to the federal government.

Do they? In deciding a case that comes before them, it is customary for judges to examine the evidence. If Justice Warren had examined the evidence, it is doubtful that he would have found any substantial cases where "the people" appealed to the federal government.

George F. Kennan, in his book, *American Diplomacy – 1900-1950*, had this to say:

> But I also suspect that what purports to be public opinion in most countries that consider themselves to have popular government is often not really the consensus of the feelings of the mass of the people at all but rather the expression of the interests of special highly vocal minorities – politicians, commentators, and publicity-seekers of all sorts; people who live by their ability to draw attention to themselves and die, like fish out of water, if they are compelled to remain silent.

Mr. Kennan spent many years in Washington and ought to know what he's talking about.

In an address, *Canada and Its Giant Neighbor*, Professor Jacob Viner of Princeton University (emeritus) said:

> The American movement toward more liberal commercial policy which started in 1933 was at no time the response to an upsurge of American popular sentiment.

Professor Viner, Canadian-born,

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has been a lifelong student of economics and economic problems; anyone familiar with his great contributions to economic knowledge and understanding knows that he does not dash off such statements without careful thought.

Other scholars, politicians, journalists, and government officials could be quoted at length in a similar vein. Many additional episodes and statements could be recited, absolving the "general public" from the common charge made against them. But the foregoing should be enough to establish the point.

Once the public has its dipper in the government trough, of course, it may fight to keep it there. It may even itch for more and support spokesmen to intercede for it and develop rationalizations to support or enlarge existing programs, largesse, and handouts. Vested interests both in government and outside may soon build up. But most citizens have too much self-respect to merit the glib label, "The public demands . . ." when it comes to the mounting government tax-take, swelling bureaucracy, and burgeoning interference by government with private affairs. This brings us to our second question: From where do the ideas and pressures originate?

The Source of Pressures and Ideas

The ideas for entirely new government activities generally come from the intellectuals, a point discussed later. The idea for extensions of existing government programs or variants of such public activities generally come primarily from government itself. The President advances a legislative program. Each year Congressional Committee Hearings are held on new bills introduced and on appropriations for the ensuing fiscal year. This provides an abundance of opportunity to promote new ideas and reinforce and expand the old.

Hearings frequently start off with "government" witnesses. These set the tone and flavor. They capture the headlines and receive extensive news coverage, plus newspaper, radio, and TV editorial commendation.

Little effort is required to induce a Cabinet officer or a key member of the House or Senate to step out of his normal role and serve as "an informed witness" on the opening day of a Hearing. Undersecretaries and Assistant Secretaries as well as bureau and commission chiefs abound in Washington. Even if they are primarily political wheel horses, they are generally well briefed and trained in the art of creating "impact."

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Any key "grass roots" beneficiaries of proposed legislation or of appropriations may be alerted concurrently and activated. They then are provided with ammunition, arguments, counter arguments, and a rationale. Forums or interviews may be arranged. "Public demand" may seem genuine and spontaneous. But the other 99.999+ per cent of the voters are indifferent, unaware, and inert.

By this time efforts to roll back existing programs or block variants and expansions of them are mostly a waste of time; the political mind-set has been created. Even experienced lobbyists encounter a stone wall.

Government offices are loaded with publicity men and public relations officers; they all have well-oiled mimeograph machines. They know how to cultivate news-hungry reporters. Considering this vast set-up it seems a little naive to imagine that an expansion in a government program or a new variant of it, would require any "public demand" at all!

Throughout the year, furthermore, in many government bureaus key men or perhaps nearly everyone of any consequence is constantly urged to maintain an alert for new programs, new ideas, larger appropriations. These are systematically assembled and assessed for the next round of Hearings. In fact many laws now have automatic or built-in expansionary devices in the form of a "research division" with appropriate staff to discover ways and means of extending the government service to more people and in larger doses. Some departments have a Cabinet official under the name of Assistant Secretary for Planning or some less obvious title.

Civil Service Employees and Legislators Have Much in Common

The interaction of legislators and government bureau people for close to 52 weeks in the year creates a formidable pro-government bias. It has no offsetting counterpart in the nongovernment sector.

Whether legislators or department and bureau employees are the more potent in expanding government is not easily determined. Because of their long experience and "knowing their way around Washington" it is probable that the civil service employees are the real engineers of our swelling government.

Legislators and these employees have many common interests. The more government grows the more exalted their positions and perhaps the higher their financial and other rewards. They constitute a syndrome in which the part-

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ners thrive in symbiotic togetherness.

At times, of course, a legislator may regard the annual recommendations of the President and the Bureau of the Budget as wholly inadequate for his personal purposes. He introduces his own ideas, bills, and amendments. Some of these may be very earthy, matters of bread and butter to him. Thus in 1963 a congressman phoned the office of the Postmaster General saying that in seven minutes he was going to a Congressional Committee meeting to vote on a piece of legislation which the President regarded as "must" legislation and if he wasn't promised a new post office in his home town, he would vote "no" at the meeting.

This was by no means an isolated case. But obviously there is no way of knowing how much such "initiative" is rampant in Washington decision-making, but probably more than is good for the taxpayer. In any case, it should be obvious that the mass voters play little or no role in the routine expansion of government activities or variants of them. Nor do the masses originate new programs.

The Role of the Intellectual

Ideas for entirely new and innovative government activities generally come from researchers, professors, writers – intellectuals.

John Maynard Keynes, the most influential economist of our generation, put it this way:

> The ideas of economists and political philosophers both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.

But these idea innovators are not confined to economists and political philosophers. They may include playwrights, drama critics, and critics of all kinds, as well as movie writers, novelists, poets, and a host of others. They include professors in the social sciences as well as in literature, astronomy, and physics – to name a few. In addition they may include clergymen, professional lecturers, TV and radio commentators, syndicated columnists, reporters, psychoanalysts, composers, painters, sculptors, and others.

William Schlamm, in a much neglected book, *The Second War of Independence* (Dutton, 1940), put it this way:

> In addition to being the problem

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child of modern civilization, the intellectual has also become one of its outstanding challengers, for it is simply untrue that the disintegration of democracy is the result of merely economic dislocations. It is simply untrue that Nazism, Bolshevism, and Fascism are the predestined reply to the appeal of hungry, unemployed, indebted farmers and underpaid toilers. Contrary to the general consensus of opinion, all brands of totalitarianism, and especially Bolshevism, are not social expressions of economically distressed underdogs, but rather diseases prevalent among rather well-fed intellectuals. A serious statistical checkup would certainly disclose that on the editorial staffs of metropolitan newspapers, among college teachers, among the stars of stage and screen, among successful writers, and among students whose generous monthly allowance is regularly remitted by well-to-do parents, there is relatively fifty times more totalitarian lunacy than among the poverty-stricken Okies, the needle-workers, or unemployed miners.

While this was written during the great depression, prior to World War II, and may seem a bit dated, the law of idea origination which it expresses is still valid. Schlamm elaborated his ideas in such clear and striking language that it is worth while to note what else he has to say:

Within every society, be it ever so democratic, there is a relatively small group of intellectuals who give that society its tone and character. What 1,000 professors, writers, bishops think, write, preach, is handed on by 300,000 teachers, journalists, and ministers to the other Americans and forms the consciousness of the entire nation. Just cut these thousand key intellectuals out of the national body politic and the nation will, within a few years, have a completely changed complexion. The circulation of an author's book is unimportant, for its effectiveness depends not on the number but on the social importance of its readers. The book which has made an impression on 3,000 teachers and 2,000 journalists alters the essence of our national being more appreciably and enduringly than a novel which is read by 2,000,000 housewives. Ninety-nine and nine-tenths per cent of the American people have never held a work by John Dewey in their hands, but all Americans have, in some degree, been educated by him, simply because the thoughts of this great pedagogue have activized the transmission belts of our educational apparatus. In defending themselves, the opponents of Mr. Archibald MacLeish could scarcely have found a more superficial argument than to point to the relatively small circulation of his works. Though its mass may be relatively insignificant, the catalytic agent will basically alter the larger chemical process.

The late President John F. Kennedy surrounded himself with

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a number of so-called idea men who had no administrative or other day-to-day responsibilities. The War on Poverty and the Appalachia circuit are all "old hat" in most details but seem like new attacks on ancient evils. They also are well designed to cover the failures of earlier approaches.

Very few citizens are aware of how economic and social ideas originate, or how they work their way into the stream of consciousness and gain acceptance, because they are not themselves students or persistent readers. Eric Hoffer in his book, *The True Believer*, outlines carefully the role of the intellectuals in incubating ideas and programs. Their persistent criticism of society and "plans" to meet actual and alleged problems and of keeping the pot boiling are set in perspective by Hoffer, a self-educated, migratory longshoreman.

Professor Kenneth Boulding of the University of Michigan has stated that "the breakdown of capitalism in Europe can be traced rather directly to the inability of the organized capitalists to win the respect of the intellectuals." These intellectuals, either not being able to understand the realities of the world around them or because of their innate tendency to undermine and criticize, built and fashioned in their mind's eye a new world of their own which they could understand. This was a planned world in which the planners were to be people like themselves and in which the masses, including the capitalists, however educated and cultured, would have to find their place as ordered for them.

Among the intellectual activists the need for something new, something different, and particularly something novel, is an ever-present seduction. Anyone of us upon meeting an acquaintance may say, "What's new?" Boredom is a key factor in motivating the intellectual. Given a little imagination and a desire for personal recognition – this all can soon evolve into a new government program, and in extreme cases the overthrow of government. But this need not be the end result.

Intellectuals a Special Breed

In spite of what has been said about the intellectuals, they should be highly prized and duly rewarded. They are nature's or God's gift to humanity. Even though they often are underminers and destroyers they may be builders, preservers, and constructive innovators. When we think of the damage done by Karl Marx and his kind, we should also weigh in the good done by Herbert Spencer, Edmund Burke, and

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Adam Smith – to name only a few. The intellectuals may come from any group or sector of society.

Innovators may do damage when they lose touch with the past, the origin of society, the nature of man and of social and economic institutions. Bring the intellectuals into your world of real problems, ask them for solutions and reward them for their effort – then you may convert them from underminers to constructive idea men. They may help to improve human institutions and deepen the foundations of a society based upon the individual. They need not be statists, ever on the hustings for bigger government. In fact, the articulate proponents of the free society are growing in numbers and influence.

Intellectuals are a special breed. Not everyone knows how to put his potential creativity to effective use. This calls for special talent and a sensitivity not always evident in the run-of-the-mill manager. But without a strong intellectual foundation, without a solid reason for being and a firm determination of where to go from here, including a mystique – any organization or society is likely to falter.

It is difficult, if not impossible, to discover any significant example in any time in history anywhere on this planet of a society that has been marked by a large measure of political freedom that has not also at the same time operated under an economic system which was characterized by an essentially free market. There is good reason to believe that freedom and the free market are closely linked.

Perhaps this is the most important lesson which students of human freedom need to grasp. Grasping this great truth, the intellectuals now see virtues in "the chaos of the free market." Few of them look to the state for total solutions. ◈

IDEAS ON LIBERTY

Candle Power

THERE is not enough darkness in the whole world to blot out the light from one wee candle.

Inscription on a tombstone,
John O'Groats, Scotland

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THE *Right* TO PRAY

WILLIAM CAGE

THE DECISIONS of the Supreme Court on prayer in public schools apply only to religious practices in *public* institutions, of course. In order to understand these decisions, it is first necessary to understand the nature of a public institution under our government.

In spite of the practical deficiencies in our political system, our government operates on a democratic basis: each person has one vote to cast for the candidate of his choice. The elected officials are then supposed to do what they believe is their constituents' wishes (insofar as they believe it is the right thing to do). The political action thus taken is kept in check by the court system, to which every person has access. In this way, minorities are protected from unrestrained majority rule.

It should not be surprising that those people who profess atheism should take the matter of prayers in public schools to the courts; for after all, it was an action for which our system of government provides. Praying certainly discriminates against the atheist. And according to our philosophy and system of government, when this occurs in a public institution, he has legal recourse to the courts. This explains why the *nature* of a public institution is central to the discussion of the right to pray.

A public institution in the United States is not only publicly accessible but is also publicly supported. There is no hedging on this support: everyone contributes taxes, without regard to any specific characteristic of the individual, such as race or religion. Thus it follows that what is publicly provided should not discriminate in favor of or against people on any such basis as race or religion. Those who pay for it (theoretically, everyone) should also have the use of it, under a system which gives each person an equal share of participation in the government and which respects *all* people, whether they

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belong to the majority or not. And, as they pay without regard to their race, religion, and so forth, so, too, should they have access to the public facilities without discrimination against them on such grounds. This must be the real nature of a public institution in the United States if we adhere to our principles of government.

Thus it is that in no public institution can those of us who believe in God rightfully impose our beliefs and practices on those who don't. Practically speaking, such imposition is not avoided by "voluntary" participation in the prayer. For whether the praying is voluntary or not, all taxpayers – atheist and theist alike – are providing shelter, light, and warmth for the theists' practices. Thus the atheist is compelled to contribute to practices in which he does not want to participate in any way; and further, everyone is aware that such practices are easily avoidable by the public institution, and are not at all necessary to accomplish the announced purpose of the institution.

A Duty To Educate?

The central issue here, hinging on the nature of public institutions, is not whether a government institution should assume the responsibility for prayer; instead, it is whether or not the government should assume the responsibility for educating the people. Just as there are a multitude of opinions on religion, there are also disagreements in virtually all areas of education as to what is right (or best). This shows up especially in colleges, where various schools have reputations for different viewpoints.

This means that in a public school where specific opinions are taught, other viewpoints are necessarily neglected: to have a certain opinion neglected is as much of an affront to the artist, economist, or political scientist who holds that opinion as it is to the atheist. Unlike the situation existing at the college level, where one can select the college which teaches the viewpoint with which the student (or parent) is most in sympathy, the public school system assigns students according to geographical location. In fact, no public school official has ever been so bold as to say that his school teaches a particular viewpoint in, for example, economics, to the exclusion of all others. Thus, no matter what method of assigning students is used, the education available to the student in any school is largely of arbitrary content; it is necessarily opinionated.

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This is not consistent with our philosophical and legal concept of a public institution: public facilities cannot rightfully discriminate against certain peoples' opinions, for the whole of the populace pays for the institutions, without regard to whether the taxpayer agrees with the viewpoint being taught. There is again no escape offered by private schooling where public schooling is compulsorily financed, just as "voluntary praying" is no solution, for citizens pay taxes in support of public schools even if their children go to private schools. Perhaps a method more (but not totally) consistent with our principles is to have *all* opinions taught. Any teacher, however, will readily attest to the impossibility of the task, and most students will agree as to its tediousness. Nor would most parents favor such practices.

Outside the Realm of Government Competence

The answer to the "right to pray" in public institutions is the same as the answer to the "right" to teach any particular theory or opinion on any other matter: there is no "right" involved. It is outside the realm of public institutions. Thus it is that general education, as well as religious instruction and practices, cannot be provided by public institutions within the framework of our original philosophy of government. Any institutional changes (e.g., an amendment to the Constitution) to permit prayers in public schools can only serve to distort that framework which has not only proved to be workable, but is internally consistent with and logically deducible from the original premise. The crucial question is not how we can legally institute praying in public schools, but rather can public schools rightfully provide any religious practices or teach any subject on which there is disagreement. The court decisions pointed up the difficulty in regard to religious practices; there remains, however, the broader question of whether public schools can rightfully advance certain opinions in preference to others in areas outside of religion.

Further examination of the entire matter of "rights" suggests that the education of free people should come in schools which those people choose to establish, support, and attend of their own volition. For it is only in these and similar private institutions that the individual has the *right* to pray, regardless of what other people may believe. ◈

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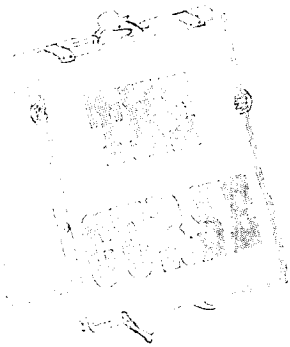

MACHINERY

HENRY HAZLITT

Recent interest in "the problem of automation" suggests the need to reprint this excerpt from Mr. Hazlitt's outstanding Economics in One Lesson, *first published in 1946 and slightly revised in 1962.*

AMONG THE MOST VIABLE of all economic delusions is the belief that machines on net balance create unemployment. Destroyed a thousand times, it has risen a thousand times out of its own ashes as hardy and vigorous as ever. Whenever there is long-continued mass unemployment, machines get the blame anew. This fallacy is still the basis of many labor union practices. The public tolerates these practices because it either believes at bottom that the unions are right, or is too confused to see just why they are wrong.

The belief that machines cause unemployment, when held with any logical consistency, leads to preposterous conclusions. Not only must we be causing unemployment with every technological improvement we make today, but primitive man must have started causing it with the first efforts he made to save himself from needless toil and sweat.

To go no further back, let us turn to Adam Smith's *The Wealth of Nations,* published in 1776. The first chapter of this remarkable book is called "Of the Division of Labor," and on the second page of this first chapter the author tells us that a workman unacquainted with the use of machinery employed in pin-making "could scarce make one pin a day, and certainly could not make twenty," but that with the use of this machinery he can make 4,800 pins a

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day. So, already, alas, in Adam Smith's time, machinery had thrown from 240 to 4,800 pin-makers out of work for every one it kept. In the pin-making industry there was already, if machines merely throw men out of jobs, 99.98 per cent unemployment. Could things be blacker?

Things could be blacker, for the Industrial Revolution was just in its infancy. Let us look at some of the incidents and aspects of that revolution. Let us see, for example, what happened in the stocking industry. New stocking frames as they were introduced were destroyed by the handicraft workmen (over 1,000 in a single riot), houses were burned, the inventors were threatened and obliged to fly for their lives, and order was not finally restored until the military had been called out and the leading rioters had been either transported or hanged.

A Short-Sighted Approach

Now it is important to bear in mind that insofar as the rioters were thinking of their own immediate or even longer futures their opposition to the machine was rational. For William Felkin, in his *History of the Machine-Wrought Hosiery Manufactures* (1867), tells us (though the statement seems implausible) that the larger part of the 50,000 English stocking knitters and their families did not fully emerge from the hunger and misery entailed by the introduction of the machine for the next forty years. But insofar as the rioters believed, as most of them undoubtedly did, that the machine was permanently displacing men, they were mistaken, for before the end of the nineteenth century the stocking industry was employing at least a hundred men for every man it employed at the beginning of the century.

Arkwright invented his cotton-spinning machinery in 1760. At that time it was estimated that there were in England 5,200 spinners using spinning wheels, and 2,700 weavers – in all 7,900 persons engaged in the production of cotton textiles. The introduction of Arkwright's invention was opposed on the ground that it threatened the livelihood of the workers, and the opposition had to be put down by force. Yet in 1787 – twenty-seven years after the invention appeared – a parliamentary inquiry showed that the number of persons actually engaged in the spinning and weaving of cotton had risen from 7,900 to 320,000, an increase of 4,400 per cent.

If the reader will consult such a book as *Recent Economic Changes*, by David A. Wells, published in 1889, he will find passages that, except for the dates and absolute

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amounts involved, might have been written by our technophobes (if I may coin a needed word) of today. Let me quote a few:

During the ten years from 1870 to 1880, inclusive, the British mercantile marine increased its movement, in the matter of foreign entries and clearances alone, to the extent of 22,000,000 tons . . . yet the number of men who were employed in effecting this great movement had decreased in 1880, as compared with 1870, to the extent of about three thousand (2,990 exactly). What did it? The introduction of steam-hoisting machines and grain elevators upon the wharves and docks, the employment of steam power, etc. . . .

In 1873 Bessemer steel in England, where its price had not been enhanced by protective duties, commanded $80 per ton; in 1886 it was profitably manufactured and sold in the same country for less than $20 per ton. Within the same time the annual production capacity of a Bessemer converter has been increased fourfold, with no increase but rather a diminution of the involved labor.

The power capacity already being exerted by the steam engines of the world in existence and working in the year 1887 has been estimated by the Bureau of Statistics at Berlin as equivalent to that of 200,000,000 horses, representing approximately 1,000,000,000 men; or at least three times the working population of the earth. . . .

One would think that this last figure would have caused Mr. Wells to pause, and wonder why there was any employment left in the world of 1889 at all; but he merely concluded, with restrained pessimism, that "under such circumstances industrial overproduction . . . may become chronic."

Technocrats Revive Old Errors

In the depression of 1932, the game of blaming unemployment on the machines started all over again. Within a few months the doctrines of a group calling themselves the Technocrats had spread through the country like a forest fire. I shall not weary the reader with a recital of the fantastic figures put forward by this group or with corrections to show what the real facts were. It is enough to say that the Technocrats returned to the error in all its native purity that machines permanently displace men – except that, in their ignorance, they presented this error as a new and revolutionary discovery of their own. It was simply one more illustration of Santayana's aphorism that those who cannot remember the past are condemned to repeat it.

The Technocrats were finally laughed out of existence; but their doctrine, which preceded them, lingers on. It is reflected in hundreds of make-work rules and

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featherbed practices by labor unions; and these rules and practices are tolerated and even approved because of the confusion on this point in the public mind.

Testifying on behalf of the United States Department of Justice before the Temporary National Economic Committee (better known as the TNEC) in March, 1941, Corwin Edwards cited innumerable examples of such practices. The electrical union in New York City was charged with refusal to install electrical equipment made outside of New York State unless the equipment was disassembled and reassembled at the job site. In Houston, Texas, master plumbers and the plumbing union agreed that piping prefabricated for installation would be installed by the union only if the thread were cut off one end of the pipe and new thread cut at the job site. Various locals of the painters' union imposed restrictions on the use of spray guns, restrictions in many cases designed merely to make work by requiring the slower process of applying paint with a brush. A local of the teamsters' union required that every truck entering the New York metropolitan area have a local driver in addition to the driver already employed. In various cities the electrical union required that if any temporary light or power was to be used on a construction job there must be a full-time maintenance electrician, who should not be permitted to do any electrical construction work. This rule, according to Mr. Edwards, "often involves the hiring of a man who spends his day reading or playing solitaire and does nothing except throw a switch at the beginning and end of the day."

One could go on to cite such make-work practices in many other fields. In the railroad industry, the unions insist that firemen be employed on types of locomotives that do not need them. In the theaters unions insist on the use of scene shifters even in plays in which no scenery is used. The musicians' union required so-called "stand-in" musicians or even whole orchestras to be employed in many cases where only phonograph records were needed.

By 1961 there was no sign that the fallacy had died. Not only union leaders but government officials talked solemnly of "automation" as a major cause of unemployment. "Automation" was discussed as if it were something entirely new in the world. It was in fact merely a new name for continued technological advance and further progress in labor-saving equipment.

One might pile up mountains of figures to show how wrong were

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the technophobes of the past. But it would do no good unless we understood clearly *why* they were wrong. For statistics and history are useless in economics unless accompanied by a basic *deductive* understanding of the facts—which means in this case an understanding of why the past consequences of the introduction of machinery and other labor-saving devices *had* to occur. Otherwise the technophobes will assert (as they do in fact assert when you point out to them that the prophecies of their predecessors turned out to be absurd): "That may have been all very well in the past; but today conditions are fundamentally different; and now we simply cannot afford to develop any more labor-saving machines. . . . We have reached a point today where labor-saving devices are good only when they do not throw the worker out of his job."

If it were indeed true that the introduction of labor-saving machinery is a cause of constantly mounting unemployment and misery, the logical conclusions to be drawn would be revolutionary, not only in the technical field but for our whole concept of civilization. Not only should we have to regard all further technical progress as a calamity; we should have to regard all past technical progress with equal horror. Every day each of us in his own capacity is engaged in trying to reduce the effort it requires to accomplish a given result. Each of us is trying to save his own labor, to economize the means required to achieve his ends. Every employer, small as well as large, seeks constantly to gain his results more economically and efficiently – that is, by saving labor. Every intelligent workman tries to cut down the effort necessary to accomplish his assigned job. The most ambitious of us try tirelessly to increase the results we can achieve in a given number of hours. The technophobes, if they were logical and consistent, would have to dismiss all this progress and ingenuity as not only useless but vicious. Why should freight be carried from New York to Chicago by railroads when we could employ enormously more men, for example, to carry it all on their backs?

A Case in Point

Theories as false as this are never held with logical consistency, but they do great harm because they are held at all. Let us, therefore, try to see exactly what happens when technical improvements and labor-saving machinery are introduced. The details will vary in each instance, depending upon the particular conditions that prevail in a given industry or

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period. But we shall assume an example that involves the main possibilities.

Suppose a clothing manufacturer learns of a machine that will make men's and women's overcoats for half as much labor as previously. He installs the machines and drops half his labor force.

This looks at first glance like a clear loss of employment. But the machine itself required labor to make it; so here, as one offset, are jobs that would not otherwise have existed. The manufacturer, however, would have adopted the machine only if it had either made better suits for half as much labor, or had made the same kind of suits at a smaller cost. If we assume the latter, we cannot assume that the amount of labor to make the machines was as great in terms of payrolls as the amount of labor that the clothing manufacturer hopes to save in the long run by adopting the machine; otherwise there would have been no economy, and he would not have adopted it.

So there is still a net loss of employment to be accounted for. But we should at least keep in mind the real possibility that even the *first* effect of the introduction of labor-saving machinery may be to increase employment on net balance; because it is usually only *in the long run* that the clothing manufacturer expects to save money by adopting the machine: it may take several years for the machine to "pay for itself."

After the machine has produced economies sufficient to offset its cost, the clothing manufacturer has more profits than before. (We shall assume that he merely sells his coats for the same price as his competitors, and makes no effort to undersell them.) At this point, it may seem, labor has suffered a net loss of employment, while it is only the manufacturer, the capitalist, who has gained. But it is precisely out of these extra profits that the subsequent social gains must come. The manufacturer must use these extra profits in at least one of three ways, and possibly he will use part of them in all three: (1) he will use the extra profits to expand his operations by buying more machines to make more coats; or (2) he will invest the extra profits in some other industry; or (3) he will spend the extra profits on increasing his own consumption. Whichever of these three courses he takes, he will increase employment.

In other words, the manufacturer, as a result of his economies, has profits that he did not have before. Every dollar of the amount he has saved in direct wages to former coat makers, he now has to

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pay out in indirect wages to the makers of the new machine, or to the workers in another capital industry, or to the makers of a new house or motor car for himself, or of jewelry and furs for his wife. In any case (unless he is a pointless hoarder) he gives indirectly as many jobs as he ceased to give directly.

But the matter does not and cannot rest at this stage. If this enterprising manufacturer effects great economies as compared with his competitors, either he will begin to expand his operations at their expense, or they will start buying the machines, too. Again more work will be given to the makers of the machines. But competition and production will then also begin to force down the price of overcoats. There will no longer be as great profits for those who adopt the new machines. The rate of profit of the manufacturers using the new machine will begin to drop, while the manufacturers who have still not adopted the machine may now make no profit at all. The savings, in other words, will begin to be passed along to the buyers of overcoats – to the *consumers*.

But as overcoats are now cheaper, more people will buy them. This means that, though it takes fewer people to make the same number of overcoats as before, more overcoats are now being made than before. If the demand for overcoats is what economists call "elastic"– that is, if a fall in the price of overcoats causes a larger total amount of money to be spent on overcoats than previously–then more people may be employed even in making overcoats than before the new labor-saving machine was introduced. We have already seen how this actually happened historically with stockings and other textiles.

But the new employment does not depend on the elasticity of demand for the particular product involved. Suppose that, though the price of overcoats was almost cut in half – from a former price, say, of $75 to a new price of $50 – not a single additional coat was sold. The result would be that while consumers were as well provided with new overcoats as before, each buyer would now have $25 left over that he would not have had left over before. He will therefore spend this $25 for something else, and so provide increased employment in *other* lines.

In brief, on net balance, machines, technological improvements, automation, economies, and efficiency do not throw men out of work. ◈

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Straws in the Wind

I HAD an interesting experience at a meeting of the Williamsburg International Assembly recently. Some forty-five foreign graduate students at American universities had come there for a conference. Thinking to bait the majority who were citizens of socialist or semi-socialist countries, I tried out a theory of the depression of the nineteen thirties on them. It had been caused, I said, by politicians who made a bad mess at Versailles in settling World War I. It had been "institutionalized" by the New Deal. But in spite of the drag of government intervention in the thirties, American businessmen had continued to lay their bets on the future. The bets paid off in the late forties and the fifties when all sorts of new industries proliferated. There were the chemical industry, the electronics revolution, the air lines, new methods of food preservation, the change in agricultural machinery – a hundred new things.

What was amazing was that the students did not take any particular objection to the argument. Can we deduce from this that the traumatic experience of the thirties no longer casts a spell on young people? Or that socialism, especially to those who come from socialist lands, has lost its allure? If so, the world could be off on a new tack – and some U.S. politicians are going to be badly fooled.

Marxist Fires Dying

That the Marxist fires are indeed dying is the burden of Isaac Don Levine's *I Rediscovered Russia, 1924-1964* (Duell, Sloan and Pearce, $4.95). This little book, an account of a quest to uncover new material in Soviet archives about Stalin's baleful effect on Russian cultural life, is not primarily devoted to "big" issues of war, peace, and economic and political organization. But Levine, who hadn't been inside Russia since 1924, couldn't help taking the political temperature of the country. The agricultural crisis was apparent on every hand. The efforts of the intellectuals to break out of

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the prison of orthodox Marxism were obvious. And the war between Khrushchev and Mao Tse-tung was an indication that the crusading fervor had gone out of the Russian brand of communism.

"I could not escape the feeling," so Don Levine wrote after leaving Russia, "that the crest of the communist tide, which had been sweeping over the globe since 1917, is behind us . . . Khrushchev's portentous boast that communism would bury us . . . seemed like a grim piece of buffoonery" against the "realities of the poverty-stricken land . . . I could not shake off the thought that I had rediscovered Russia at the moment when the corrosion in her political armor had set in and when the tide of history had taken a decisive turn in favor of the West."

The Levine argument would not have bothered those foreign students who had gathered at Williamsburg, even though some of them—the girl from Poland, for example – were skeptical about any quick collapse of communist control in Iron Curtain lands. What is being demonstrated around the world today is that people won't work for dictatorial political masters. In the communist countries the calculated slowdown is endemic. On the other hand, in the lands that still retain a good deal of capitalism clever men find ways of increasing productivity and creating new businesses in spite of the dead weight of the socializing politicians.

Self-Help Is Best

This is apparent in a remarkable book called *Money Talks!* by Charles Sopkin (Random House, $4.95). Mr. Sopkin had the bright idea of seeking out some self-made men of the mid-twentieth century and letting them spill their egos – and super-egos – for exact quotation. None of the men he interviewed seemed to care about playing things cool in their remarks on the passing show. The result is a wonderful shoot-from-the-hip book which proves that men can still be men in spite of the drive, fostered by public relations experts, to homogenize everything and everyone in our culture.

Money Talks! makes it obvious that "growth" is the product, not of manipulation of taxes and government spending, but of the raging desire of exceptional individuals to cut free of bureaucratic inhibitions and to think for themselves. One does not even have to be very original. William P. Lear, Sr., who went into the jet plane production business at the age of sixty, says he depends on "hindsight" in picking out new opportunities. His formula is to deter-

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mine what has gone over in one part of the country, and then try it out in another. He thinks anybody can make money in Europe these days simply by adapting things that have succeeded in America in the nineteen fifties. But this "worrying about fringe benefits is bad. It's definitely bad because this anxiety over security is the basic thing undermining our whole American way of life ... Security isn't worth that much. [People] . . . should be secure by virtue of their abilities, their ability to cope with things, rather than relying on the built-in security, we'll say, of a governmental agency. This is pitiful to see."

Help Wanted!

Then there is Carole Stupell, who runs a gift shop on Fifty-seventh Street in New York. She says she could branch out everywhere and make money if she could only find competent people to work for her. "There is no such thing as being out of a job," she says, "there is always room. Everybody is looking for people who are willing to work and prove that they are worth what they want to get." But who wants to work today? Ten years ago a Ph.D. walked into Miss Stupell's shop and asked for a job. In a month he had become Miss Stupell's assistant. In six months he was running her desk. After several years he left to start his own advertising agency. But Ph.D.'s today would consider a job in a gift shop beneath them. Miss Stupell worries a bit about this. She'd like to open a branch in Palm Beach, but she doesn't know where to get the personnel. It's as easy to buy for fifty stores as for one, she says, but how discover fifty good lieutenants in an age when the philosophy of the younger generation is "that the world owes them a living"?

Wallace Johnson of Memphis, Tennessee, began to make money after he was forty years old by building houses. He didn't have any cash, but he matched a willingness to borrow with a good eye for the market created by the population explosion . . . J. J. Mascuch, an inventor in the "ninety per cent tax bracket," specializes in keeping his eyes on other people. When he saw them slipping on boat decks, he found a way of putting emery dust into boat deck lacquer. Nothing very profound about this way of coming up with better mousetraps, but it has made a killing for Mr. Mascuch. As for Philip Sagona, he came out of a slum by perfecting himself at basketball, not with an eye to becoming a professional athlete but merely to get an athletic scholarship which would enable him to

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study – and really study – at a good college. He's now a big man in the perfume manufacturing business.

So it goes in Mr. Sopkins' book. One man markets quality frozen Mexican foods. A watch company executive, retired at sixty-five because of inflexible company regulations, gets hold of a rival company and makes a great competitive success of it. A man who doesn't own his own studio makes commercial pictures for television – and then begins to compete with Hollywood in regular movie production. What it all adds up to is that it is as easy to make money today as it has ever been, provided you have the eye for a "growth" situation. And why talk about the baleful effects of automation when Carole Stupell would still like to open fifty new shops?

Centers of Initiative

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SUMNER H. SLICHTER
From *United States Investor*, May 17, 1947

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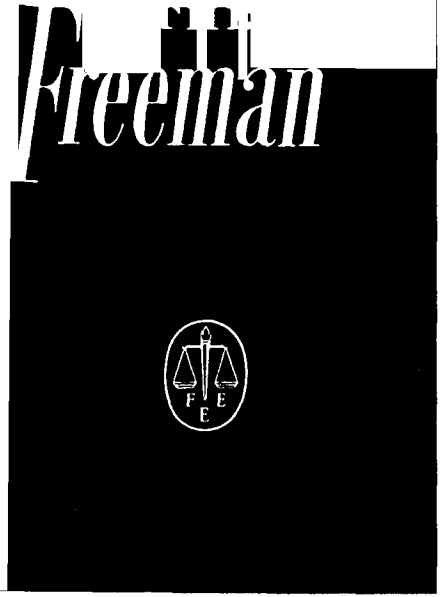

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